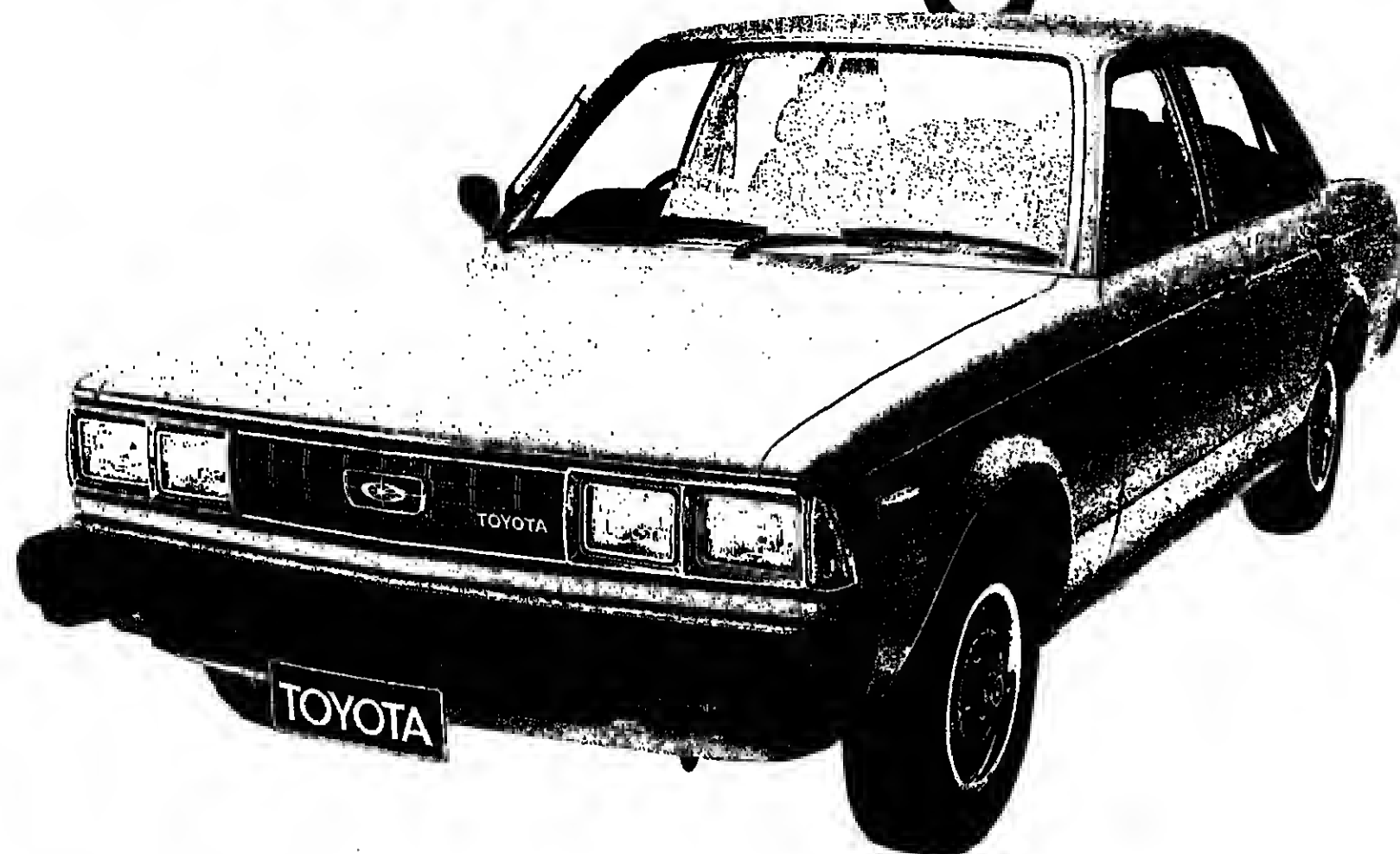


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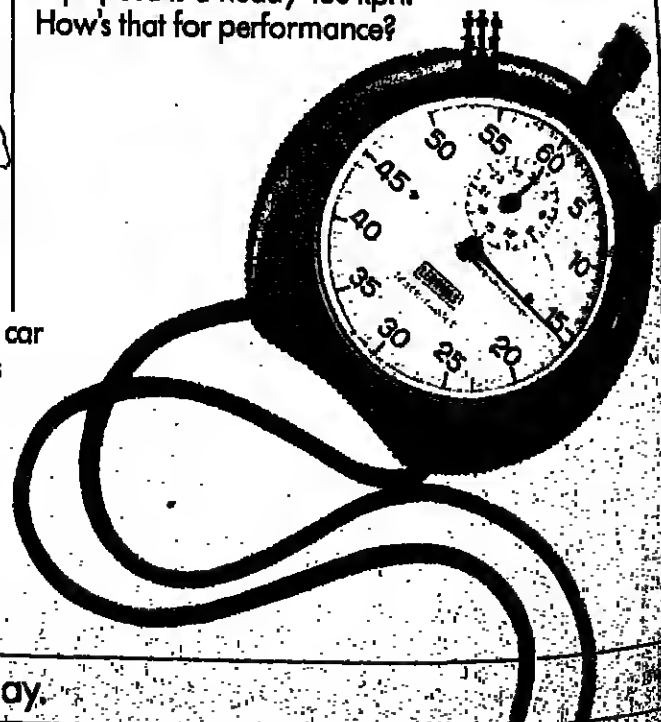


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NATIONAL BUSINESS REVIEW

Cabinet scrutinises role of MoW team

by Colin James

A "DEAR BILL" letter from a firm of consulting engineers to Energy Minister Bill Birch has sparked a Cabinet investigation of the role of the special projects section of the Ministry of Works and Development.

The 30-strong section carries out general civil engineering investigations and design for Government departments and other state-funded projects.

It has a high reputation for the quality of its work — a reputation which has landed it in its present spot.

The trouble is that the Nelson Harbour Board wants the team to prepare its 25-year forward harbour development plan — and is determined to have the section do the work even though both the section and its political masters have said the work must go to private enterprise.

The harbour board invited quotes from two private firms. But it decided on the special projects section because of the quality of its past work, the fact that it had already done work similar to that which the harbour board wants done, and the section's tie-in with the Government administrative and planning machine.

One of the rejected private firms, Truebridge, Callender, Beech and Co., of Wellington, later complained to Birch, who took up its cause.

Though Birch would not confirm it, NBR understands he took an oral case to the Cabinet works committee on July 9 for restrictions on the section's activity.

The matter was again discussed at last week's works committee meeting, without finality.

The investigation has raised fears in the ministry that the section may be severely reduced in numbers and scope of work, thereby affecting the quality of the work it is left doing.

Already NBR understands, the section has been barred from quoting for a number of state-funded projects.

The issue is one of party philosophy — ensuring the state does not do work which private enterprise could do. But there is an added piquancy in the fact that Birch was a surveyor in private practice and has many friends in the profession.

The Ministry of Works and Development has become something of a whipping boy of the private enterprise. The architectural division is under searching investigation by the Parliamentary public expenditure committee.

The Cabinet works committee chairman, Bill Young, confirmed last week that the committee was examining the role of the section "with the thought that we may be able to divest ourselves of some of the work we are doing and putting it over to private enterprise."

Not there was no question of disbanding the section, he said. Birch, one of the Cabinet's most relentlessly private sector champions, has taken a stronger line.

"My concern is that where private sector resources are available and able to do the work, the Government should not do it," he said.

He did not criticise the existence of the special projects section. "It plays an important role very effectively and has some very able people," he said.

But he felt that it should be restricted to work which private firms could not handle — such as new technologies associated with energy development.

"Where resources are not available in the private sector, I can defend the Government taking a lead and getting the thing going. But once it is going there is no need for it to be kept inside the Government," he said.

His guideline: that the two sectors should not compete but complement each other.

This approach may yet grant the Nelson Harbour Board its wish to use the special projects team — but in some sort of arrangement with a private firm.

The possibility of a compromise is being considered by the works committee.

The saga began in April when the Nelson Harbour Board informally approached Dr Roger Blekely, head of the special projects section, about its harbour development plan.

Harbour Board general manager Frank Baldwin says the board had seen work the section had done and was highly impressed with it.

The ministry's first reaction was an arms-length one.

On April 10, it wrote to the harbour board saying that while the section was capable of doing the work it could do so only when good reasons were provided why it could not be done by a private consulting engineer.

The ministry referred the harbour board to the Association of Consulting Engineers and gave the names of three consultants it believed were experienced in the sort of studies the harbour board wanted.

The harbour board was not put off.

It did invite two private firms of consulting engineers to, in Baldwin's words, "make representations to us." One was

Truebridge, Callender, Beech and Co., of Wellington (not one of the ministry's nominated firms).

But the harbour board also invited the special projects team to quote a work programme and cost estimate for the study. A verbal estimate was given.

On May 30, Baldwin advised the ministry the board had selected the special projects team to do the work. He suggested an early meeting to discuss terms of reference.

The ministry continued to play coy. It asked the harbour board to write to Works Minister Young if it still wanted the job done by the special projects section.

On June 9, Truebridge, Callender, Beech and Co. got into the act. Principal Howard W. Hunter wrote his "dear Bill" letter.

Hunter confirmed last week he had written the letter, but would not discuss its contents. Birch would not confirm receiving the letter, but did say he had received a number of letters from private firms about the special projects section.

NBR understands that in his letter, Hunter objected vigorously to the section's involvement, saying it had made the harbour board "an offer they could not refuse".

In fact, NBR understands, the section made no offer and its informal estimate was higher than Truebridge's.

Hunter objected to competition from a state department which he alleged was not cost-accountable.

After detailing the severe contraction his firm had gone through in the economic downturn, Hunter asked Birch for "some assurances that the whole role of the ministry competing with the private sector will be reviewed."

Birch sent a "dear Howard" letter back by return post, saying he would discuss his comments with Young.

Seven days later the harbour board wrote to Young assuring him the special projects team had not attempted to set up in competition with private sector consultants.

Baldwin pointed out that in implementing the plan, the harbour board would have to deal with the ministry and other Government departments and there was a real advantage in the ministry having a full understanding of the plan.

The special projects section's experience made it particularly well qualified to work closely with the harbour board's own specialist staff.

The harbour plan was intended to form part of the regional plan, in which the ministry would be involved.

If the harbour board became the maritime authority for the region, the proposed plan would form the basis of the maritime plan in which the

ministry would again be involved.

The quality of past work by the section was high and the sorts of studies it had done had much in common with the harbour development plan's requirements.

Meanwhile Young was assuring ministers the ministry was resisting the harbour board's request. NBR understands he and Deputy Finance Minister Hugh Templeton agreed they should do all they could to direct the work to private enterprise.

NBR understands also the ministry's top management supported this stance.

The next move was Birch's raising of the matter at the Cabinet works committee meeting.

The harbour board, meantime, remained unimpressed by this show of private enterprise solidarity.

Baldwin told NBR last week the board was not anti-private enterprise.

He himself came from private enterprise to his present job. His chairman, Bill Gibbons, was a big private contractor in the region.

Nor did the board rush into its decision. It consulted widely — not just the ministry and the two consulting engineers, but other harbour boards which had gone through the same exercise.

It had gone for the special projects section because private enterprise could not match what the section could offer.

That was principally the flow-on effect in dealing with Government departments and the regional plan issue.

"The very best result can be achieved through combining the ministry's special project

Continued on Page 2

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The week

Lamb talks progress

TALKS between the Government and visiting Common Market farm commissioner Finn Gunderlach went "very well", according to Prime Minister Rob Muldoon. Agreement in principle was reached on all issues except the reduction in the 20 percent levy on lamb which the EEC plans to cut, not abolish as New Zealand demands.

A NEW FOL-inspired industry-based wage-fixing policy took several steps forward with Employers Federation's blessing, a positive response from FOL advocates and a qualified welcome from the Government.

WELLINGTON shop-workers showed little support for their union's campaign against Saturday trading despite a one-day strike in Auckland.

AN agreement signed at the South Pacific Forum meeting will allow forum countries duty-free and unrestricted access to Australia and New Zealand for most of their products. Restrictions were put on some products to safeguard the interests of the Cook Islands, Niue and Western Samoa. The restriction on orange juice was a blow to Fiji.

IRAN scaled its borders and closed airports and harbours for 48 hours after an attempted military coup.

A GOVERNMENT-sponsored special report on unemployment revealed an inadequacy of presently-known causes and effects, as a result of which decision-making could easily be misguided.

Continued from Page 1

team and our own executive staff," he said. Baldwin said that price was only an incidental consideration. He did not disclose the quotations, but NBR understands the special projects section quote was higher — by some \$10,000 — than Truebridge's quote.

Baldwin said the board had examined work done by Truebridge Callender on the environmental impact of wharf development at Kaiwharawhara (in Wellington).

It had also examined a string of special projects section reports — two east coast harbour development projects for Gisborne and Hicks Bay, a feasibility study of alternative

THE Auckland Milk Corporation lost three export orders for yoghurt to Hong Kong and Singapore as a result of strike action. The deal might not be recovered.

POOR summer sales and limited shelf life forced the Dairy Board to give away 50,000 cartons of Zap, the flavoured milk drink packed in cardboard cartons.

SHAREHOLDERS are likely to lose \$4.7 million and secured creditors \$2.5 million in the Mosgiel collapse. Mosgiel's debts total \$9,141,571.

FINANCE is being sought by the Government to help a new company establish a woolskin processing plant at Shannon.

AS a protest against the road-user tax Auckland truck drivers met to gain support for a blockade of Parliament.

THE National Opera received a Government grant of \$100,000 to meet its expected deficit for the year.

AUCKLAND'S penniless Symphonia will be replaced by a newly funded regional orchestra.

TECHNOLOGY and innovation in manufacturing industry is the focus of a discussion paper released by the DSIR. Among its conclusions: industry lacks extensive specialisation, low productivity and overall its level of technology is not high.

ANOTHER "secret" trial began in the Wellington High Court, the last in a series of three.

NORMAN Leslie Shelton, number three in the National Cabinet of 1970-71 died at the age of 75.

IRAN released one of the 50 Americans held hostage for medical reasons. Richard McQueen was flown home to be treated for multiple sclerosis.

LIGHTHOUSE keepers questioned the Government's claim that automation would save \$600,000 annually by pointing out the high cost of the automotive equipment.

REDUNDANCY payments to Mosgiel Ltd's workers will average \$2000 and total more than \$2 million.

The business week

The British Steel Corporation sold \$6.25 million of its \$7.6 million shares in Steel and Tube Holdings Ltd plus its 16.1 per cent holdings in Pacific Steel Ltd for a total of \$13.25 million to Fletcher Holdings Ltd.

Southern Cross Hotel (Dunedin) Ltd reported an audited tax-paid profit of \$20,910 for the year to April 30 (\$53,298 last year). A final dividend of 9c is payable on August 19.

Tolley Holdings Ltd reported a total tax-paid profit of \$1,067,000 for the half year to March 31. An interim dividend of 5c is payable on September 9.

Humes Ltd agreed to the transfer of the shareholding of Hume Industries Singapore Ltd to Hume Industries (Malaysia) Ltd.

Vacation Hotels reported a tax-paid profit of \$590,996 for the half-year to April 30 (\$588,490 same period previous year).

Mantel Holdings Ltd reported an unaudited tax-paid profit of \$170,000 for the year to March 31 (\$478,000 last year). A final dividend of 8c is payable on August 22.

New Zealand Motor Bodies Ltd and Ematic Consolidated Industries Ltd agreed in merger, subject to Commerce Commission approval.

Chrichtech Gos Coal & Coke Ltd will shut-down in March 1982 as a result of the Government's energy policies.

Domillon Breweries Ltd reported an unaudited tax-paid profit of \$6,532,796 for the year to March 31 (\$7,139,021 last year). A final dividend of 10p cent is payable on August 18.

The week ahead

MONDAY: A three-man delegation headed by deputy high commissioner to Britain Brian Lynne will attend the 32nd annual meeting of the International Whaling Commission.

TUESDAY: Mount Hutt Ski & Alpine Tourist Company annual general meeting in Rakaia.

Select Committee on Electoral Law hearing. WEDNESDAY: Independent Newspapers annual general meeting in Wellington.

Select Committee on Commerce and Energy looks into Companies Amendment Bill. Select Committee on Labour and Education looks into the waterfront industry and railways.

THURSDAY: Preliminary hearing of the Commission of Inquiry into the Marginal Lands Board application by Jim and Audrey Fitzgerald. Brother Distributors annual general meeting in Christchurch.

Aurora Group annual general meeting.

FRIDAY: National Pre-conference opens. W Sutherland & Co annual general meeting in Auckland.

Alex Harvey Industries annual general meeting in Auckland.

Hauraki Industries annual general meeting in Auckland.

The week

Pig producers' do-or-die bid to save bacon

by John Draper

EXPENDABLE pig producers, abandoned by the Government's free-trading lobby, are launching a \$750,000 survival bid.

It will be a do-or-die effort for the producers, who were hit last year by low-cost imports which forced the Pork Marketing Board to intervene as prices plummeted in April and May.

Prices are recovering from the crisis minimum of 135c a kilo, climbing above the estimated break-even price of 160c by 5c and showing signs of strengthening.

Despite strong words from Agriculture Under-secretary Rob Talbot, who recently told the Pork Industry conference that the problems were much of their own making, confidence is creeping back into the industry.

A controlled industry with licensed producers and quotas, as the bigger producers were demanding, was not the solution, he said.

"We have seen enough of 'safe' cost-plus monopolistic industries to know that they do not always solve the problems and probably mitigate against efficient, economical, competitive farming."

And controls were not in the consumers interest, Talbot said.

The industry, particularly the processors, were largely to blame for the crisis by over-estimating the demand for Christmas hams when ordering in July last year.

Consumer resistance to high prices led to a drop in demand which resulted in an oversupply of bacon pigs earlier this year.

The decision coincided with

easier access for Irish, Canadian and Australian pork granted as concessions in the latest round of Gatt negotiations that were finalised last year.

Producers have accused the Government of sacrificing pork for butter, cheese and sheepmeat access to Europe and North America.

"The Government is not in the business of putting up trade barriers for agricultural products," Talbot said.

Ideally, the Pork Marketing Board wants to own and control the product, but producers vetoed the proposal despite the advice of Massey University marketing professor Wayne Cartwright.

But producers did approve the fighting fund of a \$1 a pig which will be used to pay for extensive consumer research and to give pork a brand image,

an essential change from producing pigs to marketing and products.

Instead of two pigs, the board will be encouraging producers to sell only one, a bacon weight pig which the processor/wholesaler can use to satisfy market demand in the most profitable way.

New cuts — medallions, butterfly steaks, spare ribs as well as leaner, meatier chops — will be introduced to impress consumers that pork is good value.

The board's position with individual producers and processors has strengthened considerably as a direct result of its intervention buying and successful promotion campaign to "bring home the bacon, mum".

Research by Heylens since the campaign began on May 26 shows sales have increased by

28 per cent. And the board, which nearly went broke trying to prop up the market, now hopes to break even before Christmas.

Fresh pork sales have also picked up as a result of extensive promotion in Auckland and Christchurch, where wholesalers and retailers were encouraged to cut prices.

Pork has the greatest potential growth. Only 7 per cent of households buy it weekly. And in that group 20 per cent of households eat 80 per cent of the product.

The board now aims to aggressively market the product to attract the majority of very occasional sales with the new

cuts and better presentation as has already been done in Europe, Australia and North America. It will be the beginning of a long-term change for the industry, promoting pork and bacon 12 months a year and searching for new products and uses for the meats.

If successful, the campaign should bring about a revolution in the pig industry. Consumer demand for the new cuts and bacon products will increase the influence of processors, who are expected to provide specialist fresh pork cuts for the supermarket trade, and because of the increased demand, be more ready to give producers long contracts at stable prices.

ABC shipping line wins Australian wool contract

by John Draper

TSV1 Rosenfeld's non-conference ABC Container Line will ship more than half the wool put up to open tender by the Australian Wool Corporation.

ABC came out the clear winner against the conference lines by offering rates which are understood to be at least 20 per cent below normal in Europe.

The Wool Corporation put 40,000 bales, about 4 per cent of total wool exports, out to tender earlier this year on behalf of the Wool Commodity Group, representing wool buyers, Federated Farmers, the corporation and European mills.

AUC's share amounts to just over 20,000 bales to be shipped in 250 containers within the next two months to Belgium, West Germany, Britain and Italy.

But ABC's success is unlikely to lead to any agreement

with the conference lines to Europe and Britain.

Rosenfeld angrily rejected suggestions (NBR July 7) that he had sought to join the conferences serving Australia, as we had been led to understand by conference officials at the recent Exports and Shipping Council forum.

In a message sent through his Auckland agent, Rosenfeld said: "I have never held discussions with the conferences serving Australia with a view to joining them. After all, why should I?"

Within the conference system ABC would probably be limited to one ship on the basis of the amount for Belgium.

With Australian farmers backing the tendering system for primary producers cargoes, Rosenfeld is hoping that Federated Farmers will ratify a decision calling for 20 per cent of New Zealand cargoes to put up for tender every year.

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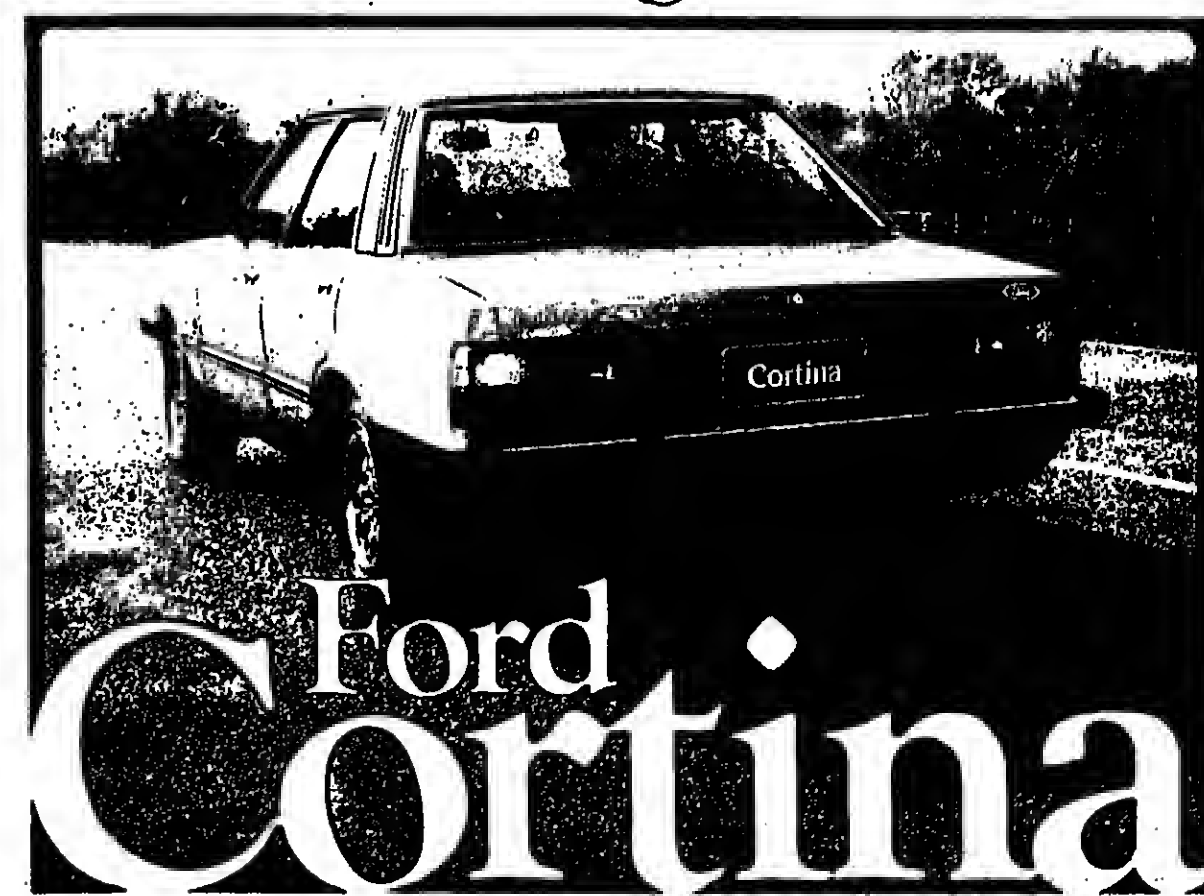
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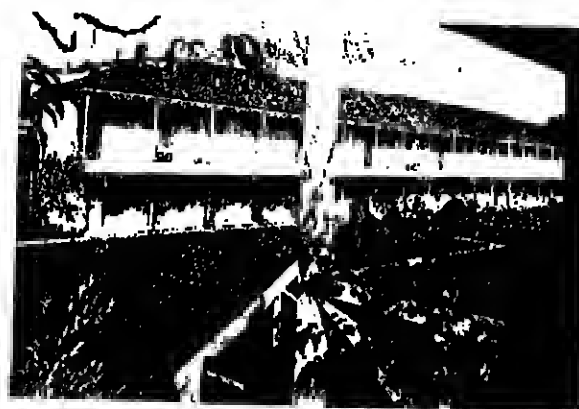
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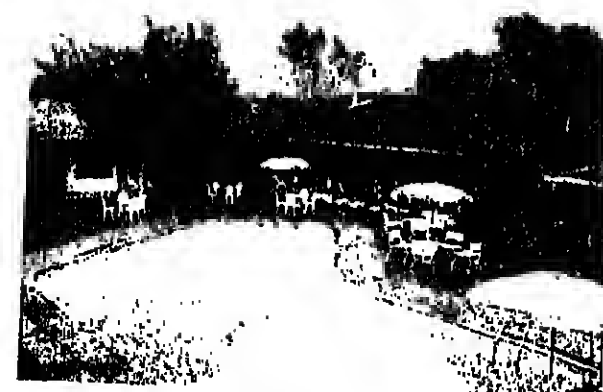
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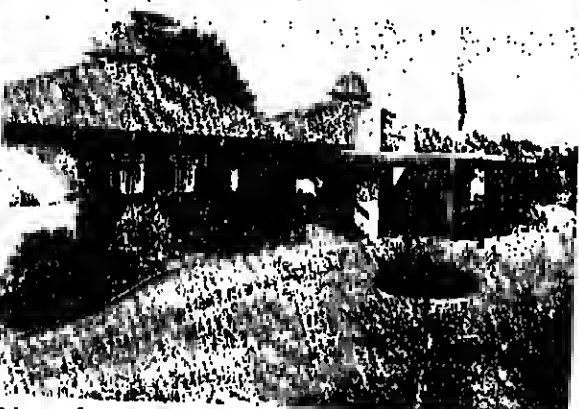
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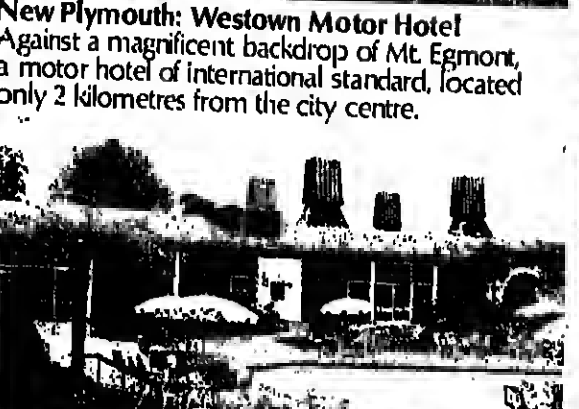
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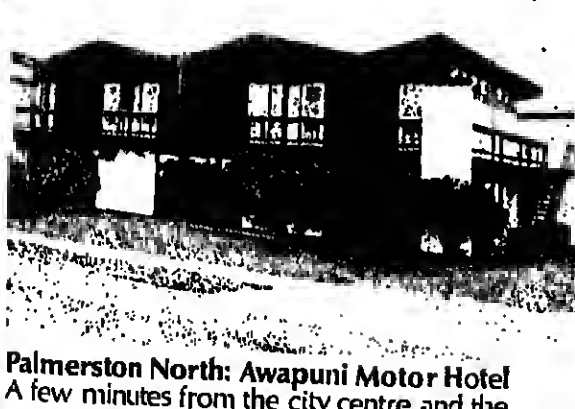
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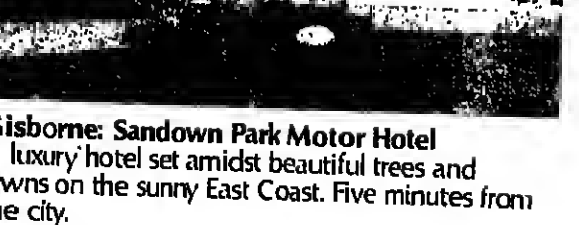
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The week

Company protection increases cost of safeguards

by Warren Berryman

THE cost of protecting homes and businesses against thieves and vandals has been increased to protect two local manufacturers against imports.

Burglar alarm manufacturers are responding angrily to a Customs Department decision to apply a 40 per cent duty to imported passive infra-red intruder detectors from June 5 1980.

The duty was applied to protect Altron Industries Ltd and Philips Electric Industries of New Zealand Ltd, both of which have begun manufacturing the detectors here.

Detectors can be imported

from the United States for as little as \$85 and retailed for about \$120. The 40 per cent duty will raise that price to \$163.

Philips' detector goes for \$264 and Altron's detector for \$140.

Burglar alarm manufacturers claim the locally made detectors are overpriced, poorly designed, unattractive in appearance and untested.

Manufacturers told NBR they would continue to buy imported detectors rather than take a chance with the locally made product. The net effect of the duty would only be a higher price to the consumer.

These manufacturers say the

protectionist measure is inconsistent with the Government's policy to move to a position of comparative advantage in world trade, import what we can't make here at world competitive prices and concentrate on what we can do well.

Passive infra-red detectors — the latest thing in burglar alarms — work, unheard and unseen, by detecting moving body heat.

The use of these detectors has grown rapidly over the past year.

Rhino Security Ltd director Humphrey O'Leary said that last year his company was using one of the detectors every three

months. Now his company was using up to 15 infra-red detectors a week.

Previously they could be imported duty-free under a Customs concession, because they were not then made in New Zealand.

About 19 different models of detectors were imported, giving burglar alarm manufacturers a choice of detection ranges and scanning widths so they could tailor-make systems to fit particular premises.

Altron makes only two models of detector, one that stands out from the wall, another that fits flush with the wall. The duty protects Altron from all imported models, in-

cluding those it does not make. O'Leary said the duty would add \$300 to the \$1500 cost of protecting a medium-sized store.

He said his company had no intention of using the locally made detectors, primarily because they had not been tested in use.

If the system failed it could have expensive consequences for his customers, he said.

An importer and retailer of infra-red detectors said his customers were continuing to buy imported detectors. "My customers would rather pay the extra when security is at risk," he said.

Altron Electronics director

Ian McCallum said sales of his company's detectors were going well, now that the duty had been placed on imports. Without the duty his prices could be undercut by 10 to 15 per cent. McCallum said his company expected to export detectors within six months.

How could Altron compete on overseas markets when it could not compete on the New Zealand market without protection?

McCallum said he would charge less for his detectors in Hong Kong, Australia, and the Philippines than he charged here. He would be able to do that overseas because of export "subsidies", he said.

Examiner's promotion of business competition increases in size and scope

by Rae Mazengarb

IT has been a busy year with plenty of public exposure for the Examiner of Commercial Practices, Allan Monaghan.

Charged with promoting competition in the business community, last year he consented to 111 merger or takeover proposals, investigated 165 complaints alleging restrictive trade practices, monitored the growth of collective pricing agreements and actioned 536 consumer complaints and inquiries.

The latest annual report of the Department of Trade and Industry, details the commercial practices and consumer services handled by the examiner in the year to March 31.

During the year collective boycotts by trailers and trading coupon schemes were added to the category of examinable trade practices and both pyramid trading and the supply of trading stamps became prohibited practices.

An amendment to the Commerce Act — permitting the Examiner to refer takeover proposals to the Commerce Commission when he is in doubt concerning the public interest where a major proposal is concerned — was used for the first time in the case of the I.D. Nathan and Co Ltd takeover of McKenzies (NZ) Ltd. After its first public inquiry into a takeover, the commission consented to the proposal, the report reminds us.

The 111 merger or takeover proposals approved by the examiner last year compared with 73 the previous year. Analysis of the official pointed out, he handled only the biggest.

The report notes that the number of proposals notified "is making more evident the tendencies observed in previous years".

For example, medium-sized and efficient family companies reach the position when their founders or successors wish to retire. A larger company with related interests sees the opportunity to acquire an established and efficient company as an attractive proposition.

Then there are the takeovers which are best described as

"rescue operations". The report notes that such circumstances will generally lead to a loss of competition and a strengthening monopoly situation but says the benefits of a takeover in terms of employment or regional development can weigh heavily in favour of the proposal.

But the dominant feature of the last year has been the move by large companies to expand their interests and strengthen their competitive position.

Associated with policies of divestment of unprofitable or incompatible interests, this growth of dominating major industrial companies is a comparatively new factor in New Zealand business, says the report.

"We are now faced with the growth of conglomerates — companies whose activities spread through unrelated fields of business activity."

But the report warns that the need for them and the extent that they may assist or hinder the development of New Zealand industry "is a matter which will require careful examination in the future".

At the same time major companies are more aware of the importance of conforming to "public interest" criteria when contemplating mergers or takeovers. The report says some now make a point of consulting the examiner informally before submitting their proposals.

Trade practices have gained

their fair share of public attention, says the report.

Major current areas of work involve investigations concerned with allegations of restrictive trade practices in the distribution of alcoholic beverages, in the insurance industry and certain rules relating to stockbrokers' operations.

The major case last year was the public hearing on Visa and other bank cards.

The alleged refusal of Wellington-based Phillips and Pike Ltd to supply Westport-based Bailie Wine and Spirits Ltd was a drawn out complex case which resulted in a substantive public hearing in March this year. The case is still proceeding.

You don't close your eyes when you drive a car... so why should you when you buy one?

TOYOTA STARLET.

Compact, low fuel consumption... a great economy car.

But is there enough room? And enough power?

It's hard to find a finer, more economical 5-passenger car than Toyota Starlet. Partly because it is so large inside compared to its outer dimensions. The cabin is 1,700mm long and 1,270mm wide, that's lots of room.

Utility wasn't slighted either. There's lots of room ordinarily, and when an extraordinary load has to be carried, the rear seatbacks fold down for up to 630 litres of carrying space.

The Starlet shows truly efficient use of space — just part of its overall economy. Starlet is at home on the highway too. It

accelerates 0 to 100 km/h in 16 seconds with its 1,000cc engine. As for passing, Starlet surges from 100 km/h to 120 km/h in just 14.0 seconds in 4th gear. And its top speed of 140 km/h is surprising, to say the least.

Part of the reason for Starlet's excellent performance is its wind tunnel-developed AEROBOX styling, complete with a ducktail roof. Proper aerodynamics make Starlet more stable. And rack-and-pinion steering makes it handle precisely. Four-wheel, coil-spring suspension gives Starlet a ride that is smooth and comfortable, while effective sound insulation keeps it quiet inside.

Toyota engineering has balanced room and performance with economy... in Starlet.

THINK IT OVER.

TOYOTA

Fuel consumption
ECE 90 km/h: 5.7 l/100 km



ENGINE: Type 4E1 (1000cc) 8000 rev/min 1000W. Max torque: 9.0 kg-m (66.7 Nm) at 2400 rev/min. Max speed: 140 km/h. 0-100 km/h: 16.0 sec. Fuel consumption (ECE): 5.7 l/100 km at 90 km/h, 7.8 l/100 km at 120 km/h, 6.5 l/100 km mixed cycle.

Comment

Editorial

ENERGY Minister Bill Birch has praised CNG as "the most certain and economic alternative fuel for these vehicles close to the gas pipe lines". But the Auckland Automobile Association has advised motorists not to consider converting their vehicles to use alternative fuels "until the present disadvantages of doing so are resolved".

The AA is concerned that the advertisement of fuel-conversion kits, supported by the Ministry of Energy, is attempting to mislead owners to make what could be a costly and premature investment. Association president P. Osborne said CNG and LPG should be sensible moves for taxis, company cars and sales or delivery vehicles. But he considered it "dismaying" that too many motorists are climbing on to the alternative fuels bandwagon "without knowing the facts of supply, cost and inconvenience".

Energy Undersecretary Barry Brill promptly took issue with what he called bad advice that was "unhelpful, to say the least". But the realities of the conversion programme are that CNG and LPG are in severely short supply, there are few operational refuelling stations, technology is unqualified to inspect and install equipment are scarce, and vehicles still must run on petrol most of the time. Private motorists are not being encouraged by the Government to convert, conversion kits are subject to distance taxes, and motorists must go through a complicated procedure to pay a road-user tax if they use an alternative fuel.

Brill rejects any acceptance that the projected 150,000 conversions will be achieved by the end of 1985, apparently convinced that in five years the reticulation of natural gas will have extended to a much wider area, and as that extension occurs, greater numbers of vehicles will have access to CNG filling stations.

Out in the marketplace, the attitude is different. Bob McMillan, managing director of the country's busiest conversion centre in Auckland, said earlier this month that the CNG conversion programme was running

out of steam and urgently needed a boost. Two conversion companies had already folded, he claimed. And he warned that unless the Government stepped up its programme, the target of 150,000 would quickly fade because "people seem to have the impression that conversion is not the thing to do".

The industry, generally, was disappointed that the Budget failed to provide fresh incentives to encourage the conversion campaign. As things stand, some 25 per cent of conversion-kits costs are taken by the Government in taxes (adding a significant \$200 or so to the price). Companies are allowed a 100 per cent tax write-off for the cost of converting business vehicles. The private motorist gets no such benefit.

The Energy Research and Development Committee recommended 15 months ago that the import duty and sales tax on conversion equipment be abolished. It recommended, too, a tax rebate of \$150 a year for three years for all private motorists who install CNG tanks and called for regular reviews of the financial incentives to ensure that conversion to gas continued to be encouraged. That advice has been ignored.

The road-user tax system, too, needs a drastic overhaul if people are to be encouraged to switch to dual-fuel vehicles. Owners of cars that can operate on CNG or LPG do not pay an annual licence fee on their vehicles. They must contend, instead, with the complicated procedures required under the Road User Charges Act. When motorists fill in the requisite forms, they must nominate the estimated distance the car will cover in the period of the licence and use a detailed series of charts to work out the charges that need to be paid on the distance they think they will cover. The administration fee on the licence is \$2, plus the actual tax for the distance claimed.

The Government-established CNG Coordinating Committee is said to have recommended to the Government last year that the procedure be scrapped and replaced by a system — as with petrol — of incorpo-

rating the tax into the retail price. But according to the *Evening Post*, its inquiries with the Ministry of Energy had indicated that while the idea was being looked at, no immediate prospect of change appears likely.

The state itself appears to recognise the benefits of CNG. A survey has shown that almost one-third of public service vehicles with close proximity to a gas pipeline (those immediately suitable for conversion to natural gas) will be converted by the end of the financial year. The Post Office will have 417 vehicles of dual-fuel capacity by the end of March, by which time there will be five Post Office filling stations (at Auckland, Hamilton, Palmerston North, Lower Hutt and Wellington, with three more to be built at Auckland, Wellington and New Plymouth next year).

But the benefits for private motorists are downgraded in the Government's considerations. Brill expects a large percentage of conversions to be in fleet vehicles and company cars, only a small percentage of conversions would be carried out by private motorists, he has said. He concedes that only a small number of businesses have "made a firm commitment to go ahead at this early stage", while he optimistically anticipates that "the next year or two could see considerable momentum as they are provided with proof of its distinct advantages and take into account the tax incentives offered".

Energy Minister Bill Birch has endorsed that attitude to the private motorist. In the Government's future planning for transport fuels, he has said, CNG has an assured role to play — but a limited role. For certain vehicles, says Birch, the commercial, national and foreign exchange savings through using CNG would be considerable. "But there are limits to the number of vehicles which it is desirable, or even possible, to convert." He seems satisfied that smaller and low-usage cars will find it uneconomical to convert, and should not be encouraged to make the capital outlay. He wonders, too, about the savings in foreign exchange from reduced petroleum

imports when they are set against the costs of foreign exchange incurred in the purchase of CNG conversion kits.

Bob McMillan, however, has found that private motorists are far more interested in conversion than the Government seems to realise, and Auckland Gas Company executive J. McDowell said that lack of extra help in the Budget for private motorists was particularly damaging, because they held the key to the establishment and commercial viability of public CNG refuelling stations. Significantly, Brill's Vaillant car has been converted to run on CNG.

It all boils down — as Birch has said — to the economic benefits perceived by vehicle owners. That is why "the programme approved by the Government is a flexible one, capable of being expanded as the situation demands." Those circumstances have already changed fundamentally. The target of 150,000 conversions by 1985 was adopted a year ago, and presumably was based on calculations which included the price of oil and projected rates of increase. At that time Saudi light was costing \$18 a barrel while energy advisers forecast would reach \$28 by 1985. The price has already gone beyond that. Thus the Ministry of Energy already has every justification for revising its conversion target. As the oil price soars at a rate much greater than anticipated, CNG conversion should become more attractive in the average motorist.

Steering to its adolescent oil price projections, the Government plans to put 33 per cent of petrol cars on synthetic petrol in the next five years, while converting to CNG only 10 per cent. It seems peculiarly unwilling to budge from that strategy despite the comprehensive undermining by the Opec states of the premises on which it was based. Thus it appears hellbent on trying to sustain the viability of a costly and questionable synthetic fuels project whose need should be lessened by a more forthright encouragement of the CNG alternative.

— Bob Edlin

Without word of a lie

A double play for flying softballers

THE Government encourages sporting bodies to go to private enterprise for assistance and sponsorship. Indeed, such initiatives are among the factors considered by the Government when deciding eligibility for grants under the National Projects Scheme of the Recreation and Sport Programme.

But the Government makes sure none of this grant money filters back into private enterprise once a novel grant is given.

If the sporting body accepts a Government grant to travel overseas, it must book through the Government Tourist Bureau and fly Air New Zealand.

This might make it difficult for the sporting body to fulfill the criteria of going to private enterprise for assistance or sponsorship.

Take, for example, the New Zealand Softball Association Inc. Holding first equal place in the world with Canada and the United States, the team wanted to fly to Tacoma, Washington, for the international men's championships.

The Softball Association receives sponsorship from Pan Am and Stars World Marketing Services. And the association thought it "unconscionable" to consider travelling other than Pan Am or booking through other than Stars.

So it wrote to Recreation and Sport Minister Allan Highet, outlining the dilemma and asking for a Ministerial waiver of the condition that the

team must fly Air New Zealand.

Request denied, Highet said. But he did suggest an escape route for any sporting body wanting to receive a sponsorship from private enterprise without smacking its sponsor in the eye by flying with the Government-owned airline.

One might get a Government grant for a non-travel purpose, like buying softball mitts, and still be free to spend one's own money, or a sponsor's money, flying with the airline of one's choice.

Why bright ideas are sold overseas

SOME see local inventors behind the small-scale — high value concept as those who might turn this country into the "Switzerland of the South Pacific."

But inventors are being advised to take their bright ideas and patents elsewhere for sale.

Why? Because New Zealand taxes patent sales as income, not as a capital gain. There is not much joy in getting just 40c in the dollar for the bright idea of a lifetime.

The DFC's Applied Technology Programme was set up with Government money to encourage these inventors. But as professionals, the DFC men find it hard considering the tax system, to advise their clients to make a loss by selling ideas here.

Tall ships still plough our waters

HISTORICAL attitudes are often blamed for keeping New Zealand "10 years behind the rest of the world".

But is Wellington Harbour Board lagging 100 years behind?

The latest copy of the board's bylaws and regulations — dated July 1979 — required pilots "to have served for at least a year in a grade not lower than that of second mate of a square-rigged sailing vessel".

One irate shipper after enduring two days of name calling and continual parochial bawling at the recent Exports and Shipping Council Forum, said that gave a fair indication of the average harbour board's responsiveness to new technology and trading conditions.

But the Wellington Harbour Board had left the apparently obsolete clause in the bylaws for good reason. Deputy Harbourmaster Captain Alan Jenkins said: "It has always been our attitude that a pilot with sailing ship experience is our automatic first choice."

And three qualified pilots on the board's staff including himself all had the necessary square rigger experience, Jenkins said, which was not so irrelevant with "tall ships" still sailing the seven seas.

Getting more cents out of Martinborough

ANOTHER example of the Post Office optimising profitability opportunities in telegrams words over 10 letters are charged as two words.

This applies to the names of towns such as Martinborough. "This every time a telegram is sent to Martinborough, the sender is charged for two words."

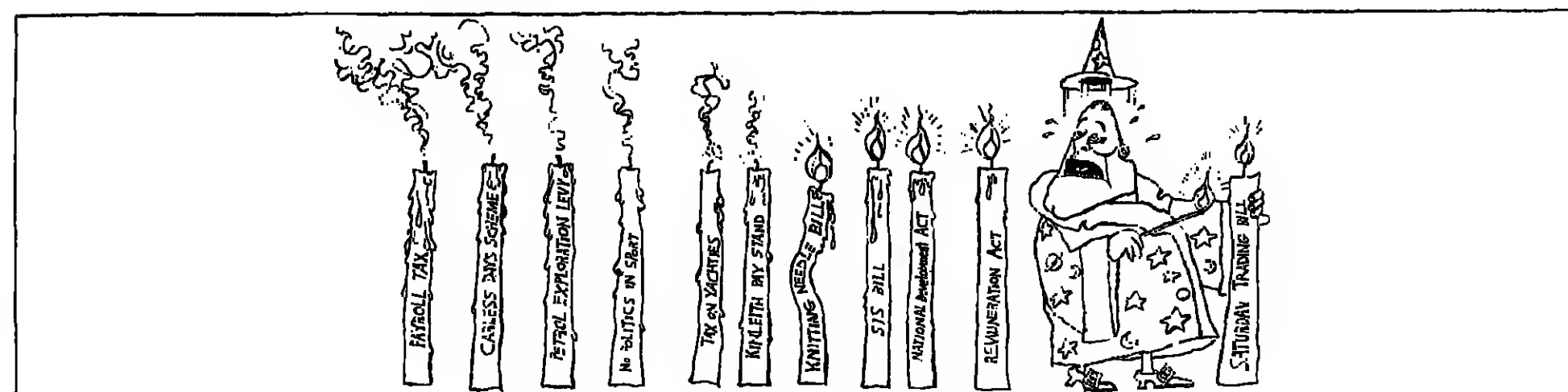
The interesting thing is that when Ben Couch, Postmaster-General, and local Wairarapa MP, was accused about this practice, he denied all knowledge of the policy. "You must be dreaming," he was quoted as saying.

But the policy, we hear, continues.

Exodus continues to Land of Oz

THE exodus continues. An Auckland family making the shift to Australia reports that their bank told them they were the 42nd family that went to arrange for a transfer of funds to Australia, their moving company told them they were the 80th trans-Tasman moving job that month, and their pre-shift garage sale was one of 120 advertised in the Saturday papers which bore the legend "owners going overseas."

Brockie's view



Comment

Credibility taxed by a private enterprise banner

by Warren Berryman

ROB MULDOON has been far too modest, claiming his 1980 Budget is unspectacular and "neutral in effect".

How many private companies turn out annual reports in these depressing days showing results anything near as spectacular as those for Muldoon's NZ Inc?

Look at the debt-repayable column. Go back a few years, and in 1980, total income tax was \$991 million. This year it will be \$5,100 million. Not many private companies can show an eight-fold increase in income over the past gloomy decade.

The Government, in spite of the fact that it makes and grows nothing, has been a spectacular growth industry since Muldoon took over the reins in 1975. In 1974 Government spending was only 29.2 per cent of Gross Domestic Product. This year Government spending should top 38 per cent of GDP.

More spectacular is the size of Muldoon's empire. For a man elected by a private-enterprise-leaning political party, hasn't he done well? Twenty-seven per cent of the work force is employed by central or local Government. There are 5000 politically appointed quango jobs — say nothing of the vast army of quasi-civil servant employees by the Railways, the WCA, Air New Zealand, and so on.

And all this bureaucracy begets anti-bureaucracy-bureaucracy, creating jobs in the Manufacturers' Federation, Employers' Federation, Federated Farmers, and so on.

The achievements? Well, there's a national airline that has just lost more than \$20 million. A Railway that hasn't seen a profit since — when was it? And a State-owned oil exploration team headed by political appointees and career civil servants, busy pouring taxpayers' millions down dry holes.

At this spectacular rate we must be within sight of that Socialist utopia where everyone lives at the expense of everyone else and no one actually has to get his hands dirty being productive.

Muldoon started his budget speech with ringing phrases more than somewhat reminiscent of those of John F. Kennedy. "This is a time in our affairs when everyone must accept that it is what they can give, not what they can take, which matters. Unreasonable sectional and individual demands must be subordinate to the national interest."

Presumably the "national interest" about which Muldoon speaks must be something other than the pluralistic interests of the people. Definitely something other than the interests of that diminishing proportion of the population still employed in productive labour working seven

days out of 10 for the Government and only three days for themselves.

The national interest spoken of must be, in fact, the Government's interest to which we common folk must sacrifice our interests — a spectacular shift from the old National Party ideal of the State serving man to man being a mere functionary of the State.

Unionsists might sum it up in a phrase: "4.5 per cent for the workers, a 21 per cent raise for Government".

Muldoon had stern words for the workers in his Budget. "Today's dirty world is inefficient, not profit. We are not rich enough to accept inefficiency in any form. We cannot afford to misuse our resources of labour, capital, land and entrepreneurial talent..." he said.

One might find evidence of Governmental inefficiency in the fact that it now costs nearly eight times as much to govern New Zealanders than it did a decade ago. And the extra administrative overhead for 57 inches produced negative productivity growth, falling profit levels (not productive business) and no real growth.

But perhaps certain extra-administrative overheads are justified by the truly nature and subversive intent of the population. Muldoon obviously saw this when his Budget voted a 17 per cent increase for the Security Intelligence Service.

And then perhaps the amalgam way of looking at the Budget as a balance sheet for NZ Inc breaks down. The Government's habit of taking \$1 from the taxpayer, spending 60c of this dollar in administration, and handing the taxpayer 40c back as some benefit or another is certainly not as efficient as allowing the taxpayer to hold on to his own dollar and spend it himself.

However inefficient, the former method has the political advantage of replacing the citizen's self-reliance with reliance on a politician and it allows the politician to buy the citizen's vote with the citizen's own money.

Muldoon's Budget shows a convenient selection when it comes to taking advice from those "economic illiterates who masquerade as political journalists" and desk-bound academic economists. Since 1978 several notable economists have urged Muldoon to reduce income tax and increase indirect taxation. The reduction in income tax would provide an incentive to work and put more money in the workers' pocket. Increased sales taxes would provide a disincentive to spend and an incentive to invest in productive enterprise — or so said the economists.

Muldoon seems to have accepted at least half the equation. He slapped new indirect taxes on air fares, sherry, and cigarettes, and effectively increased income taxes by allowing inflation to push everyone into higher tax brackets.

The Budget shows Government to be bigger and hungrier than ever. The only gloomy aspect facing the politicians and their dull, grey army of civil servants is the certainty that Government, like any other parasite, will continue to grow only so long as it does not fill its host.

History's lesson, as Californian economist

Arthur Laffer shows in his Laffer curves, is that when taxes go up, economic activity goes down. There is good reason for believing the tax burden is becoming too much for the productive New Zealanders to bear.

Warren Berryman is NBR's Auckland reporter

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G.R. 7

NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial Editor: Bob Edlin
Production: Ralph Green, Ann Taylor

News & Features:
Colin James, John Diaper, Rae Mazenger, Stephen Bell, Jack Hodder.

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Manager: Paul A.C.S. Lon

Promotions:
Manager: Keith Scott

Circulation:
Manager: Jan Chae

Auckland Office:
2nd Floor, Levens Building
Cnr Alfred & St. Paul Streets, Auckland
Tel: 799-304

Wellington Head Office:
Fourth Estate Newspapers Ltd
115 Bligh Street, Wellington N.Z.
P.O. Box 9344
Tel: 733-578
Cable: Netique

National Business Review (incorporating *Admink* and *la e* registered publication weekly (except for last week, December and first two weeks January).

Typeset and composed by Computype Services Ltd, Wellington. Printed by R. Lunde & Son Ltd, 118 Kapiti Road, Rāpapaiaumu.

Single copies: 75 cents
Subscription rates: NZ\$25.00
Member ABC (Audit Bureau of Circulations)

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Letters

Darwin not duplicated

IN your June 9 *NBR* you published an article on the reprint of Charles Darwin's *Zoology of the Voyage of HMS Beagle*.

You made the comment: "I should be specially guarded in my assessment without some knowledge of the number being published abroad". If you had read the brochure fully you would see that we have specifically stated that the set is issued as a limited world edition of 750 copies.

It should be obvious to yourselves and purchasers that with a numbered edition you can neither duplicate numbers nor exceed the specified quantity. The probability of two sets of books being discovered with

the same number would certainly destroy the publisher's credibility and affect future sales.

With regard to the investment value of these books we would like to make the following comment and leave it to potential purchasers to decide.

The *Voyage of the Beagle* and the material collected and recorded in this work proved to be major factors in the formulating of Charles Darwin's Theory of Evolution. The contents are of great historical and scientific interest. The *Beagle Zoology* was originally issued in an edition believed to be less than 100 copies. It has never before been reprinted in full.

The many fine colour plates including the 50 plates of birds by John Gould are of exceptional artistic quality.

The printing, binding and materials used for the production of the work are of a very high standard and at today's book prices, \$675 for three volumes represents excellent value. It should be noted that some expensive single volume limited edition books are currently being marketed in this country at \$350 or more, in editions considerably larger than this work.

As an export orientated company, (over 90 per cent of this edition will be exported) we could have hoped for some encouragement, or restore our opinion of your journalism and show our intention in making this rare work available to a wider market, in a high quality format and at a realistic price.

Roger G Chapman
Managing Director
Nova Pacifica
Publishing Co Ltd

Marxist in their midst?

I FEEL I should bring it to the attention of your readership that the New Zealand Employers Federation is headed by a Marxist. In issue Number 64 of the *Employer* the executive director of the Federation Jim Rowe states: "Some more extreme leftists, of course, simply want a transfer of power from employers to union officials so that the latter become effectively the Government."

The direct implication of this dictum of course is that the employers are presently the effective Government. I have shared this suspicion with Mr Rowe for some time, and think that it is refreshing to see such frankness in an employers leader.

Rob Campbell
Industrial Officer
Combined Unions

Bemoaning the Budget

A LITTLE over two years ago I retired to Taupo and now feel very remote from the mainstream of economic and political action. In my previous existence I had considered it necessary to read all the major items of wisdom issued by the Government, including each year's Budget, but now I find this difficult and rely on the media to perform this task for me.

Your paper is one of my few sources of information, and I was interested to read Bob Edlin's editorial (*NBR* July 7).

that "the details in this year's Budget are scanty" but that there are a number of decisions soon to be announced.

I have not read the last three Budget speeches but I have quite clear memories of similar deferred decisions in other Budget speeches in the mid-to-late 1970s. Whip-feed is typical Muldoonism.

On the subject of Budgets, I am finding it increasingly depressing to read comments by various politicians of both major parties which indicate that in their opinion, saving is sinful and private investment iniquitous.

Did the Minister of Finance include in this latest Budget any veiled but so far unpublished hints on this subject?

The dividends received from miniscale savings, painfully accumulated before the boom times and fantastic salaries of the present inflationary period, have made so far all the difference between austerity and comparative comfort.

But the current attitude that superannuitants should be means-tested, and/or prevented by fair means or foul from travelling internationally or externally and/or taxed at a punitive level on any investment income is beginning to cause me to think I should go on one last glorious binge before I am taken over by an all-consuming quasi-socialist bureaucracy.

Could you please give me guidance?

Name and address supplied

Scurrilous cartoons

THE skill of a cartoonist should be based upon a real appreciation of satire at its best, and an acknowledgment that there are some positions which should not be demeaned in any way.

"Brookies" cartoon (*NBR* July 7) is cheap and nasty where it casts doubts on the

Queens representative; and furthermore it lessens the value of your journal.

In all consciousness, why do you "talk down" to your readers in your cartoons, when the rest of the paper pays great tribute to journalism at its best?

I for one am not interested in the scurrilous junk that poses as indications of current events in the cartoons published weekly.

Alan L Peterson
Auckland

Appalled at allegations

I WAS appalled, no disheartened, to read (*NBR* June 23) allegations made against meat inspectors.

The "Special Feature" article was claimed to have been written by: "A management consultant with wide experience of the freezing industry."

The calibre was greatly out

of place in a magazine normally containing material of a high calibre.

This jongleur has achieved a degree of laughter, after contemplation, normally unheard of in my humble abode, by his/her ludicrous and grossly hyperbolic claims.

K Gustaf
Meat Inspector
Southland

Old quotation finds owner

MR J Yuill (*NBR* July 14) quite correct in assuming the quotation attributed to me in *NBR* June 23 is an old quotation.

It dates to 1978-79 or perhaps earlier and derives from comment made by a senior executive in the meat industry who attended the workshop New Directions in the Freezing Industry (Massey University 1979).

CW Maughan
Massey University

Politics

Vatman finds ally in the National Party ranks

by Colin James

ONE of the better political developments in the past couple of years has been an outspoken willingness among some MPs to explore ideas outside the official party line.

The case of Roger Douglas is well known. He has been doing it for some years, with, recently, spectacular results.

The case of Mike Minogue on the other side is equally well known. He has frequently differed from his Government on constitutional and civil liberties issues.

MPs in New Zealand are generally expected to be seen in the division lobbies and heard, if at all, only behind the closed doors of the caucus room.

There have always been exceptions. Sir Leslie Munro's out-loud thinking on foreign affairs — delivered from the

lofty eminence of his previous United Nations presidency — rewarded him with unrelieved back-bench status.

The present Prime Minister, too, did not always stick to the official Government tactical line. Recall, for instance, his "unholy alliance" tag for the collusion between the Federation of Labour and the Employers Federation in 1968 to overturn the Arbitration Commission's nil wage order — a phrase that might readily have recurred to him last week over the wage-fixing agreement.

But these were very much exceptions. The tight everybody-knows-everybody nature of New Zealand politics and the narrow limits of policy debate in the parties encouraged anonymous conformism.

There are cheering signs that this artificial and unnecessary

unity is loosening. Two of the probable reasons: a younger, more vigorous type of new entrant MP; and a much more fundamental questioning of policy in a time of transition.

It is a lot easier to be outspoken when recession-beleaguered people want to hear new ideas than when everybody is cosily well-off, cars shut.

So, for example, Roger Douglas cheerfully retires from the front bench to pursue his line of thought. (Incidentally, Tony Benn survived five years in the 1970s British Labour Cabinet despite repeated open disagreements with the leadership, some every bit as serious as Douglas's.)

So also Derek Quigley has made a habit of nursing about on changes he would like in the official Government line, particularly on spending and ad-

ministration. He has been privately encouraging backbenchers to do some of their own digging on those subjects.

One who has responded with a paper he is now taking to the public is Michael Cox, English-born sailor turned MP for Manawatu. He wants a value added tax.

Cox is not one of the high fliers among the new backbenchers — no instant television package. He is far less obviously noticeable than, say, Doug Kidd, Ian McLean and Geoff Thompson.

He has not made a strong impression on opponents, usually quick to identify the up-and-comers. He seems less readily identifiable than others as one of the 1978 pack.

Yet one minister whose opinion I respect, rates him as one of the best of the newcomers

MPs for his behind-scenes work.

So perhaps we should take a closer look at his tax ideas.

Cox is concerned about tax evasion. In his 12 years as an accountant legitimately helping people avoid tax they did not have to pay, he also came to suspect large-scale tax evasion was going on and getting worse — a sort of subterranean proposition 13 tax revolt, by individual stealth rather than collective referendum.

Tax also affects investment, he says, through a combination of high tax on profits (and high inflation) and pressure on profits from workers determined to maintain the spending power of after-tax incomes. Low investment in turn limits growth prospects.

His suggested way out: reduce income tax and switch the burden to indirect tax. Leave the ordinary person more discretion — through his spending and saving decisions — as to how much tax he will pay.

At 76 per cent of the estimated total tax take this year (compared, for instance with 42 per cent in Britain), income tax is too high, he argues.

Ho-hum, what's new in that? His party has been hammering it for years, and even commissioned a report back in the 1960s by Lou Ross. The direct-indirect tax trade-off was part of his 1978 election appeal.

Well, one new element is a growing impatience among backbenchers, and among policy groups in the party outside Parliament, which Cox shares and reflects.

"To date we (the Government) have not sold this equation as a package," Cox says.

"We have introduced piecemeal sales tax increases, alienating one group after another, without highlighting the direct tax savings accomplished on the other side of the equation."

The principal stumbling block has been the link between the consumers price index and wage rates. Cox rejects that excuse: if necessary, incorporate a new method of CPI compilation into any radical changeover, he says.

Easier said than done, as employers will tell you — though with the wage system now in the melting pot, maybe easier done now than for some time past.

Still, what's new? The new element is Cox's choice of value added tax (VAT) as the vehicle.

VAT is charged at each stage in the chain of production, distribution or sale of an item. Each seller in the chain collects VAT as a percentage of the price at which he sells to the next purchaser in the chain, deducts the amount he paid in VAT to the person before him in the chain and sends the balance to the Government.

In other words he pays tax on the value he adds to components or the finished item.

The end result is that tax equal to the given percentage of the final selling price ends up in the Government's hands.

Cox argues that VAT meets four important criteria of taxation:

• **Equity of sacrifice** — replacing the present concept that those that earn more should pay more, with "those that spend more should pay more". Basic essentials should be

non-taxable and luxuries taxed more highly to spread the burden.

• **Certainty** — the people being taxed know where the tax lies.

• **Convenience of assessment** — VAT would produce some inconvenience (almost every firm would be involved, compared with only wholesalers now, a high level of bookkeeping would be required and taxing some services would cause serious problems) but the positive factors in Cox's opinion outweigh the negative ones.

• **Economy of operation** — VAT collection costs to the state would be negligibly higher than income tax collection (though I can recall voluble complaints in British business at the extra work — and therefore extra cost — imposed on companies computing the tax and annoyance at the armies of "Vatmen" — inspectors — roaming through commerce).

In support of the switch, Cox argues that the tax is simple to operate, is automatically cross-checked and self-policing since tax-free purchases mean higher subsequent tax payments, is economically neutral (in that it encourages no distortions in existing production and distribution as some indirect tax systems do) and is a truly consumption tax.

His suggested version would tax all goods and services except exports, investment goods, essential commodities and services (say, housing, food and children's clothing), services direct to the end-consumer (for example, doctors), banking and insurance and very small traders.

At 7.5 per cent, Cox estimates (with the help of the Treasury) a VAT tax take in New Zealand in 1979-80 of \$1045 million, at 10 per cent \$1393 million, at 12.5 per cent \$1741 million and at 15 per cent \$2090 million.

Subtracting the current \$600-odd million wholesale sales tax, that would have allowed income tax reductions of 9.6 per cent, 17.2 per cent, 24.7 per cent and 32.3 per cent respectively.

Those savings could, Cox argues, be so spread as to outweigh commercial "prejudices" from VAT and — through rebates — overcome the problems posed to those on low incomes by flat-rate tax on their purchases (another point of continuity with Douglas).

I'm not enough of a tax expert to pass judgment on Cox's proposal. But he does seem to have history on his side. An increasing number of countries have adopted VAT.

VAT now applies in most western European countries, including the whole of the European Economic Community. Six South American and three African countries, plus Mexico and South Korea have also shifted to VAT, most since 1970. A VAT bill was introduced into the United States Congress last year.

And here? A firm commitment to a direct-indirect tax tradeoff in National's manifesto next year cannot be ruled out.

But there is no evidence yet of a forthcoming shift to value added tax. It is that willingness to break new ground publicly that marks out Cox's decision to air his thoughts. Public discussion of policy issues by MPs is a healthy sign.

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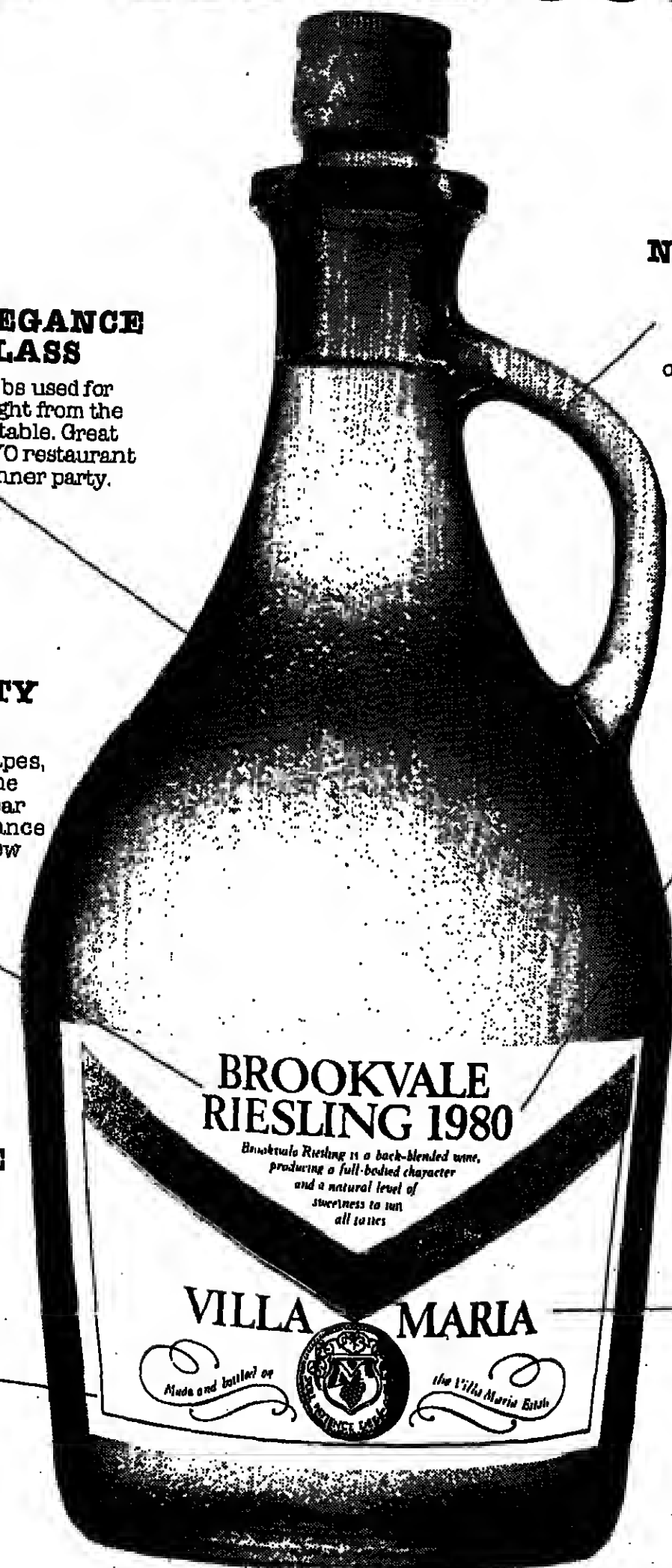
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Economics

Inflation story told by populisers and politicisers

Economics Correspondent

WITH this year's wage bargaining round in session, the causes of inflation have come under significant scrutiny. The explanations of the causes are as various as the number of vested interests involved in the wage negotiations.

The Government discussed some inflation causes in the Budget, arguing that "it should by now be clearly understood that excessive wage settlements boost inflation, check productive investment, increase unemployment and hinder the export drive to improve our balance of payments".

About the same time that the Budget was released, the Public Service Association released a research paper, *Wages, Prices and Taxes*, which looks at the link between wages and inflation, wages and unemployment and how the tax burden of workers results in inflation.



The PSA says that "wage control is no answer to the problem of the rising cost of living. If any anti-inflation policy is going to be effective, it is going to have to be comprehensive."

Living costs are still soaring. Most readers know this without being faced with any statistical evidence. But for those who require an indicator of the extent of inflation, the latest consumers price index shows that prices rose by 17.9 per cent when the index for the June quarter 1980 is compared with the index for the same quarter in 1979.

As the table illustrates, prices increased by more than 17.9 per cent for most items of expenditure. Fuel and light prices increased most rapidly at nearly 32 per cent. Prices for tobacco, alcohol, transport, fruit and vegetables grew by over 20 per cent.

While the 17.9 per cent June quarter inflation rate is a slight fall on the record March increase of 18.4 per cent it is still too early to tell whether the trend for the inflation rate is downward.

Other methods for analysing the consumer price index indicate that trend is upward. For the June quarter, prices rose by

4.1 per cent. This is a greater rise than the March quarter increase of 3.9 per cent and 3.8 per cent recorded for the December quarter last year.

When prices are averaged over the full year, the inflation rate is shown to have risen sharply since March 1979, reaching a record level of 17 per cent for June year 1980. As the graph indicates, the average inflation rate during June year 1980 matches the previous record of 17 per cent recorded in September 1976.

And the Organisation for Economic Co-operation and Development (OECD) estimates that prices are likely to continue to increase at an annual rate of 17 per cent for the remainder of the 1980 calendar year.

Finance Minister Rbn Muldoon says the OECD forecast was not too far away from his own analysis. But he does not think the measured rise in consumer prices tells a true story about the impact of prices on the consumer's pocket book.

Muldoon thinks the basic rate of inflation is lower, closer to the 10 per cent rise in prices he has been promising since first elected in 1975. If wage and salary earners agree with him, then their wages will not need to expand by the full amount of the rise in consumer prices.

And that is the crunch. In its half-yearly *Economic Outlook*, the OECD gave three reasons for inflation this year being nearly four percentage points above last year's average annual rate.

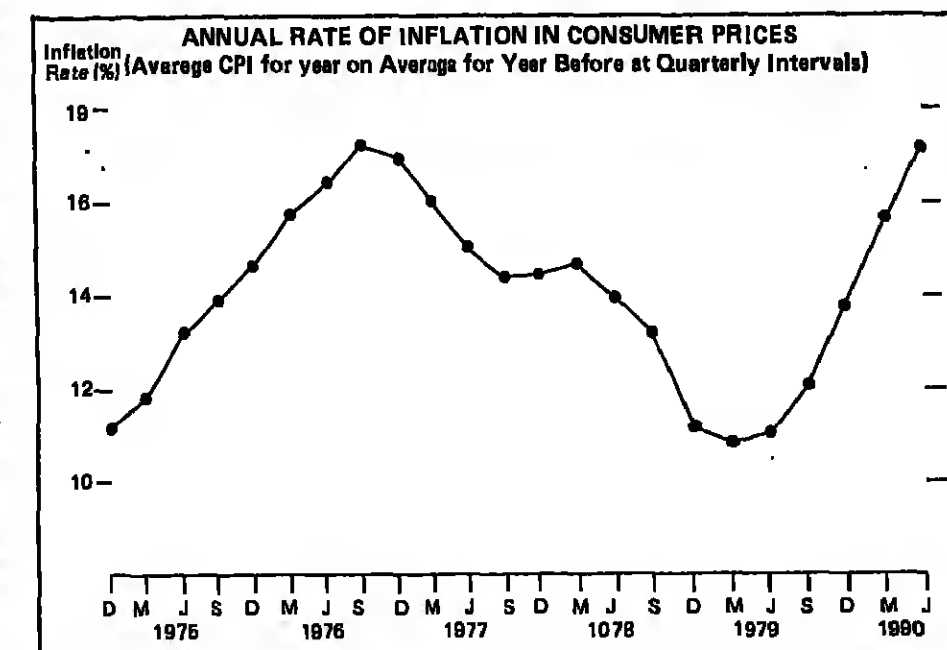
These are the effect of indirect taxes and price increases for public sector goods and services, increasing wage costs and increases in import prices.

Muldoon cannot do anything about the increases in import prices. And since he is under pressure from his party not to let the Government's deficit get too large, he is relying on indirect taxes and price increases for Government-provided goods and services to expand the receipts in Treasury's coffers.

So he has little option but to control wages. And he further intends to control money supply growth to make sure that pressures for excessive wage rises are not accommodated by the existence of spare cash for borrowing.

The Public Service Association thinks that the link between wages and inflation is not well enough understood. Its latest research paper is an attempt to explain the link between wages and inflation to the layman and to expose some common fallacies.

Many things to do to the making of the price of anything that is bought including imports,



taxes, rents, interest, profits, raw material costs, promotion and selling costs and wages. If any of these items cost more and the firm is still producing the same output as before, the price of its product must go up or the amount spent on one of its cost items must fall to compensate.

The PSA agrees that "when wages go up, prices will go up unless there is a fall in some other component of costs, but it is important to be specific about just how wages and prices are linked."

So from this, the PSA reasons - "if there is a 10 per cent wage increase, this will have the effect of increasing prices by 3.76 per cent. This is the final effect, after flow-ons."

The PSA points out that workers are also consumers. When their wages are increased, their demand for goods and services expands. If economic conditions are right, this can stimulate production. As firms increase their output to meet wage-earner's desire for goods, economic growth will expand.

The PSA says wage increases in the past have not been effective in stimulating economic growth because the tax burden on workers has been rising

steadily, not only in money terms, but as a share of the wage packet.

And the PSA claims that "the problem of high and rising taxes on wages arises out of the process by which the tax burden has been shifted from companies, inheritances and the like and on to individuals, who are, in the main, wage and salary earners."

The association concludes that "if any anti-inflation policy is going to be effective, it is going to have to be comprehensive. It must employ a range of weapons, including commercial policies designed to regulate monopolies and trading rings, price control policy, investment policies which change the nature of what is produced. It is futile to pick on any one cause and hope for success."

The Government and the PSA agree that harnessing inflation involves more than controlling prices.

This year's Budget called for a comprehensive policy to fight inflation. But nothing in the Budget was spelled out in enough detail to see just exactly what type of package the Government is committed to.

The solution to inflation will involve a fuller appreciation of the complexities of the causes of inflation than that discussed in the popularised economics of the PSA paper.

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accommodation that's becoming increasingly popular with budget tour and bus operators. A development which the town council would approve. Although the current accommodation layout caters to only seven, the existing kitchen and toilet facilities have been modernised to handle a much larger number. Raetihi itself has a charm of its own and offers guests pubs, eating places and a picture theatre. This investment in the central North Island tourist industry is being offered to any far sighted cash buyer.

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Planning Council editing gets rid of the force and

A FUNNY thing happened to the Planning Council Task Force's *Investment Issues* report on the way to the printer. Some controversial passages were removed in the process of editing the draft report, issued in April, and discussed in detail in *NBR* on April 28.

There is nothing unusual in a rewrite-merchant polishing a paper into shape before publication (it happens in this publication, the extent depending on the grumpiness level of our revered editor). The draft report was verbose, and difficult to read.

It is also normal practice to change a document if submissions are called on a draft, and experts then discuss matters of detail with the authors. The draft securities regulations are an example of that practice.

But the Task Force's report

goes further than amendments to matters of technical detail. Sections have been deleted where there is no question of technicality.

When Planning Council chairman Sir Frank Holmes issued the draft, his accompanying letter said:

"The attached report on investment issues was prepared by a Task Force of the New Zealand Planning Council chaired by Dr Don Brash. The report will be published in May. It is being given limited circulation in this form because of its relevance to issues currently under consideration and to the realisation of the *Growth Opportunities* identified in the Government publication of that name. The report stands on its own as a study of issues related to investment and growth. It is also, like the forthcoming

council reports on employment policy, regional planning and migration, an input to work on development strategy which the Planning Council will publish later this year". (*NBR* emphasis).

No talk there of substantial amendments beyond the scope of normal editing. No mention of people invited to make submissions.

And the letter makes nonsense of a disclaimer in the final document.

The Task Force comprised Brash, Holmes, Graeme

Thompson, the council's chief economist, and Bill Smith, programming engineer of the Ministry of Works, who is a computer expert.

The report issued last week carried this pompous statement: "The authors were invited by the Planning Council to analyse investment issues for New Zealand as a contribution to the Council's thinking on development strategy. The report is thus the work of a task force rather than one formally endorsed by the council as a whole".

When will the council formally endorse something? Whose idea was it to invite Brash, Holmes et al. to do this analysis?

Does the disclaimer get the council as a statutory body off the hook if criticism is aroused because of the report's contents?

Is the lack of endorsement by the "council as a whole" related to the membership of that body, which includes a minister of the crown and the Secretary to the Treasury?

No doubt Holmes has some more of his stock of answers available to those questions. If he provides them, he might also answer why numerous passages were either deleted or amended into the innocuous passages which we now discuss.

On page 133 of the draft (page 84 of the final report) under the heading "Policies - Regulation and Control" the following appeared: "In addition, an independent assessment should be made of the role of State enterprises in all transport modes, including that of Air New Zealand and the Shipping Corporation in the provision of external transport services".

That recommendation is deleted in the published document.

The draft was highly critical of these corporations in other areas, but the criticism is either toned down or removed in the report.

Referring to Air New Zealand, the Task Force had tough things to say in the draft. On page 53, under "Tourism" it said: "The continued protection of Air New Zealand,

even with an exchange rate adjustment, could well prejudice prospects for growth in the industry".

There is no mention of that in the final report.

Other references to promotion in the same section are toned down to "if more tourists do come to New Zealand, the Government must decide whether a New Zealand or foreign carrier should provide extra services".

In the section on "Transport", the draft has been rewritten, and there is no mention of the following: "At the very least, the benefits of continued membership of IATA should be publicly substantiated at an early stage".

"As with the railways, the (independent) examination of Air New Zealand is of central importance since it appears to New Zealand is also overvalued and burdened with deteriorating industrial relations".

Under "Shipping", the Task Force was dogmatic in the draft and wishy-washy in the final report:

The draft says: "The Shipping Corporation of New Zealand is a member of the conferences involved in New Zealand trade and in this context there is doubt as to the degree to which the large public investment (\$116 million according to the 1979 annual report to Parliament) is serving the national interest. The Corporation is experiencing difficulty in generating a profit notwithstanding conference protection, and although it is claimed this situation should reverse in the longer term, a convincing case has yet to be

made for continuation of conference membership or even retention of the line. (*NBR* emphasis). There is major undisciplined concern that the Corporation's costs are tending to increase overall (conference) rates and that the investment in the line itself is involving a net long term drain on foreign exchange, both to the overall disadvantage of the economy".

Good, solid stuff. What a pity it fails to appear in the report, where we read these mild comments: "In this context (overall cost of shipping a product) it is important from time to time to explore whether some modifications to conference arrangements are desirable in order to impart a greater element of competition in services and charges".

"As with other public enterprises in the transport sector, conflicts can arise between the need to operate commercially and profitably and the desire or obligation to serve wider interests. The Shipping Corporation would benefit from clear statements of government policy in regard to external shipping arrangements, and of objectives for the Corporation's involvement in existing trade and the development of new services. This would provide a better basis than now exists for planning by the Corporation and also for the evaluation of its present and potential contribution to national economic objectives".

Regarding those "conflicts", similar comments were made in *NBR* of June 30, when discussing the corporation's annual report. We did not prepare

drafts over a period of months, issue them, and then come up with a glossy final report which watered down the original point.

The Railways section has been rewritten along similar lines. There is no need to detail the changed words; the statements on air and sea transport give the tenor of the transport section.

Part II of the report (Investment Strategy) has an interesting deletion when compared with the draft. This comment fails to appear:

"Recurrent high growth in the money supply, and the associated increases in prices and costs, including wage costs, demonstrate the problems of stabilisation policy. These are compounded by a taxation system badly in need of reform".

The next paragraph in the draft read: "None of these problems (with the possible exception of the tax system) is unique to New Zealand". The words in brackets are omitted from the report.

Under "Fiscal, monetary, and exchange rate policies", the draft said:

"Incentives to invest are at a minimum, except for replacement or the few highly attractive opportunities, generally with short pay-back periods". That is dropped from last week's publication.

The draft told us that "New Zealand's import licensing system is overdue for investigation". That sentence has been dropped in favour of a less dogmatic approach.

Several references to "cost-plus" pricing on the domestic

market also died in the transition from draft to final report.

Does this mean that "cost-plus" dropped out of New Zealand's pricing system in three months, or has the Task Force some other reason for deleting the words?

The Task Force must have had second thoughts about comments in its section on "Investment Capital".

The draft said: "Indeed, the abolition of control on virtually all interest rates has probably done much more to protect investors than all the elaborate machinery established under the Securities Act in 1979".

That could be calculated to raise the blood pressure of various people, including Securities Commission chairman Colin Patterson, his colleagues, and those who have spent considerable time and money

working on the several elements of the securities industry.

The new version is more polite: "It is hoped that the work of the Securities Commission will lead to further improvements in the information made available to lenders, and to greater protection against any dishonesty and sharp practice".

The Task Force had two alternatives for overcoming the effects of inflation on capital investment. The second option given in the draft was "to eliminate inflation".

At the time I discussed the draft in *NBR*, I thought that was a strange comment, because it verged on the impossible. The Task Force may have thought so too. It now says: "The second, and preferable alternative, is to reduce

inflation greatly". A better sentence.

A similar new-found discretion comes through when the Task Force refers to the bonus issue tax of 17.5 per cent, if a bonus issue is made to shareholders from capitalisation of a company's revenue reserves.

The draft said this was "perhaps the silliest tax in New Zealand". The final version says it is "perhaps the least defensible tax in New Zealand".

The points raised here are relevant to the credibility of people who write Planning Council reports. If a statement is made that an independent assessment should be made of State transport corporations, it is obviously the authors' opinion, based on their overall economic knowledge and examination of issues. It falls

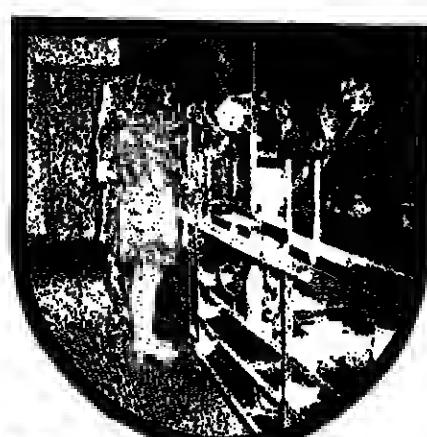
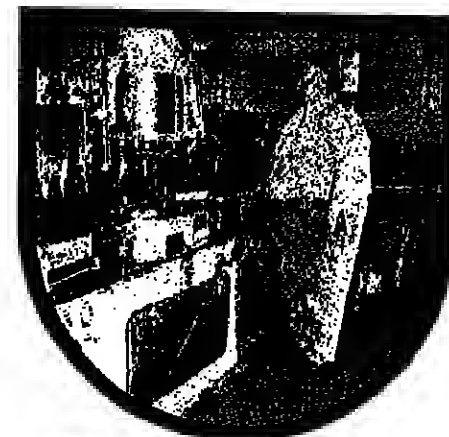
outside a technical matter which may be modified on the submissions of technical experts.

If leading economists think in April that "incentives to invest are at a minimum", why do they cut out the statement in July? Is someone opposed to that view?

In April we had "cost-plus" pricing throughout the economy. By July it seems such references are unnecessary in many sections. Why?

The final report is shot through with "may's", while the draft in many places said "is". Why the sudden qualifications to previous straightforward statements?

The draft shows that the Task Force took on a task and applied itself with force. The final report relates to the task, but dropped much of the force.



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Analysing accounts:

HEALING Industries Ltd's finances are very strong, according to the 1980 annual report. The Auckland based bicycle, paint and electroplating equipment manufacturer invested a net \$5.2 million in the business in the 12 months to March 1980 (after allowance for conversion of convertible debentures to ordinary shares). Only \$250,000 was borrowed from outside sources.

The group reinvested \$3,116,301 from net profit, and \$296,145 in depreciation, making \$3,414,446 from operations. A cash issue of shares raised \$1,730,175. A mortgage provided the remaining \$250,000.

The relationship of cash flow (net profit plus depreciation) to total assets consequently jumped from 1979's 12.82 per cent to a massive 21.3 per cent. Many companies have yet to publish their annual reports for 1979-80, but it will be surprising if more than a handful improve on the Healing percentage.

A profit increase of 189 per cent, and the proceeds from cash issues, allowed the company to improve working capital by \$2.7 million, and provide a \$6.8 million margin between current assets and current liabilities, compared with \$4 million in the previous year.

The "current ratio" (current assets to current liabilities) is struck at 5pm on a given day, and can therefore be misleading. Analysis of the dollar movement in Healing's accounts suggests that the company may have invested heavily in raw materials (up \$1.4 million from \$1.5 million in 1979) to meet expected demand for its products, particularly bicycles, and possibly to buy in goods against inflationary movements.

We say "may" and "possibly", because the report gives no explanation of the raw materials buildup, which could be compared with a movement of only \$412,000 in the value of finished goods which closed the year at \$3.5 million.

Healing Industries

It would be interesting to see a summary of expenses, apart from the statutory requirements and the Accountants' Society guidelines, in view of the relationship between increase in sales and pre-tax profit.

Taxation was 40.6 per cent of pre-tax profit in 1979-80, compared with 34.9 per cent for the previous accounting period. Export incentives and investment allowance was only \$12,500 higher at \$580,021, so only \$412,000 in the value of finished goods which closed the year at \$3.5 million.

The only clue to the company's raw materials value is a section of the directors' report: "The energy crisis and the high cost of fuel, together with new technological developments have created a demand for cycles never known in the history of the industry. Our group is now playing a very important role in the fields of transportation, recreation, and energy conservation. Considerable resources have been invested in plant, land and buildings enabling the group to meet increased consumer demand".

The report is reasonably informative in other respects, although information on expenditure would be welcome. Sales increased 53.6 per cent to \$28.8 million, pre-tax profit was 214 per cent higher at \$5,242,187.

A comparison of pre-tax profit gives a better indication of the company's performance than the net figure, due to the distortion of export tax incentives.

payment for 1979-80).

Earnings per share on year-end ordinary capital, after deduction of the specified preference dividend, are 55.33 cents.

The present price/earnings multiple for the company's ordinary shares is 4.73 cum a one for 10 proposed bonus issue, based on last week's price of \$2.62 per 50 cents share.

The company earned a mere 32.7 per cent on shareholders funds, as against 22.7 per cent in 1979, the latter figure being an excellent result at the time. The proprietors' ratio (shareholders funds to total assets) went from 46.8 per cent to 59.4 per cent, while net asset backing is now \$1.62 per 50 cents share, compared with \$1.36 at March 31, 1979.

Healing is one of the few listed companies with a healthy margin between the share price and asset backing. A premium of \$1 from a base asset backing of \$1.62 (61.7 per cent) is unusual in the present market, and is a reflection of group performance and investors' assessment of the company.

The investors followed up their assessment last year, when the number of shareholders went from 716 to 1121.

Healing gained 596 new shareholders in 1979-80. The discrepancy between the 405 increase in total shareholders and the 596 new shareholders comes from investors who sold out, probably at a good profit in view of the rapid increase in share price over the year.

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Stock Exchange weekly review

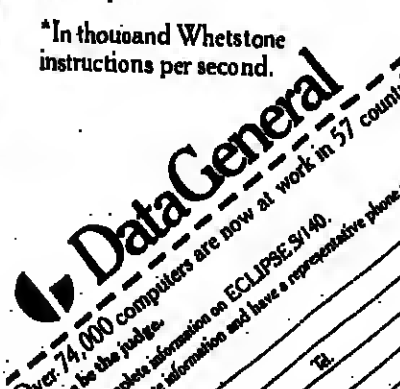
Further to the north Government's building programme has yet to stop. National Library building planned for a full city block should be off the re-boards soon, when the change from structural reinforced concrete is employed (a similar change in full-block GPO in Feather Street is completed, and second stage of the building out to tender).

And the city has its plans for hotel projects, which have been notorious for their delays. Their completion times are further away, with one project being submitted to power financiers. They will all be active in the construction industry.

Auckland had most of the major central city construction in the latter part of the 1970s apart from Government expenditure in Wellington.

As the 1980s start, there has shifted to the capital, a mixed feeling among the inhabitants as some fine examples of period architecture have smashed into rubble because of inefficient use of space, maintenance costs, earthquake risk and other factors are given as justification.

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	Last sale	Week's high	Week's low	Turnover		Last sale	Week's high	Week's low	Turnover
AIRWORK, SOC	117	---	---	0	H.B. CARRERE	206	700	700	1500
7.15 PM	---	---	---	0	138 CONV PR	140	140	140	1000
68 PM	---	---	---	0	WALIND	270	770	262	13100
PAJAX G.E.N.	285	785	245	200	105 PER	155	---	---	0
A.J. WHITE	1800	---	---	0	125 CONV PR	2100	---	---	0
11.56 CONV PR	---	---	---	0	H. POLCAR	340	555	335	11000
ALCAN, SOC	70	70	63	100	105 CONV PR	220	---	---	0
A.P.J.	215	770	215	2470	HENRY DEBATE, SOC	115	---	---	0
ALANCE, SOC	47	47	47	4700	105 PER	215	---	---	0
125 CONV PR	42	45	42	600	NUORCA, SOC	13	---	---	0
ALLIEX	115	111	111	10800	NUMS INDUSTRIES	115	---	---	0
ALLIEX PARKERS	285	285	285	300	5-7.55 PM	45	---	---	0
125 CONV PR	263	225	775	300	105 CONV PR	115	---	---	0
ALLRY STEEL	200	---	---	0	C.C.C. INCT	190	720	---	2400
A.M. JESSIE, SOC	100	100	100	4000	J.M.D. BROADCASTING	140	---	---	0
ANPUL PET, SOC	125	110	175	400	INDEPENDENT NEWS	165	165	165	8600
A. BEVIN	100	100	100	12000	2MO-CHP, SOC	200	200	200	1100
156 CONV NTS	95	95	95	3200	CNTERTASHAN NT, SOC	---	---	---	0
11.56 CONV PR	90	90	90	200	C.M. DOV, SOC	210	210	205	4400
ANPUL GROUP	100	110	100	1600	JAMES AVIATION	210	210	210	100
5-6.55 PM	90	---	---	0	146 CONV PR	60	---	---	0
ANI BANKING GROUP	219	270	219	45100	J.E. VALERIN	70	---	---	0
R. UNITEK	210	231	250	200	J. VALERIN	70	---	---	0
5-6.55 PM	---	---	---	0	J. BURNAL	105	115	105	1600
A. HANETI	165	181	105	CHU	125 CONV PR	150	---	---	0
A. CLUES	60	10	60	100	J. HANETI	200	---	---	0
ARTHEUR KATCI	340	340	340	1400	J. HANETI	41	47	41	1000
175 CONV PR	120	110	130	600	J. HANETI	40	40	40	2100
RENDY BERON	225	275	225	300	J. HANETI	---	---	---	0
A. J. CARR	100	200	200	1000	J. HANETI	---	---	---	0
AICAS, SOC	57	19	31	100	J. HANETI	125	---	---	0
105 CONV PR	30	30	30	9100	J. HANETI	125	---	---	0
AUCAGAS	550	550	550	1000	J. HANETI	125	---	---	0
AUTOL, SOC	545	545	545	1600	J. HANETI	125	---	---	0
105 CONV PR	220	720	220	260	J. HANETI	125	---	---	0
146 CONV PR	100	500	100	400	J. HANETI	125	---	---	0
125 CONV PR	100	500	100	300	J. HANETI	125	---	---	0
A.C. IL	596	---	---	0	J. HANETI	125	---	---	0
AUTOCNAT HOLPS	50	175	100	000	J. HANETI	125	---	---	0
BAILLIE, SOC	65	65	65	3200	J. HANETI	125	---	---	0
BAILLIE, SOC	70	72	70	43000	J. HANETI	125	---	---	0
116 CONV PR	65	61	65	5400	J. HANETI	125	---	---	0
BARR NIV	225	320	225	600	J. HANETI	125	---	---	0
BEACH PETR., SOC	---	---	---	0	J. HANETI	125	---	---	0
DINO HARRIS, SOC	---	---	---	0	J. HANETI	125	---	---	0
R.N.T. FINANCE	240	240	235	1200	J. HANETI	125	---	---	0
DRAPERS BUNNINGS, SOC	65	---	---	0	J. HANETI	125	---	---	0
STREPREVAL, SOC	---	---	---	0	J. HANETI	125	---	---	0
FRIZLEY, SOC	107	300	100	26300	J. HANETI	125	---	---	0
12.15 4PEC PR	---	---	---	0	J. HANETI	125	---	---	0
ROD, SOC	55	55	55	2100	J. HANETI	125	---	---	0
R.N.P., 200C	1950	5900	1900	7147	J. HANETI	125	---	---	0
BOYMER, SOC	76	---	---	0	J. HANETI	125	---	---	0
BUNNINGS, SOC	---	---	---	0	J. HANETI	125	---	---	0
BURRIS CIL., SOC	152	---	---	0	J. HANETI	125	---	---	0
C.P.P.	195	195	193	25900	J. HANETI	125	---	---	0
7-08 PM PR	---	---	---	0	J. HANETI	125	---	---	0
58 PM PR	---	---	---	0	J. HANETI	125	---	---	0
105 CONV PR	174	177	174	114	J. HANETI	125	---	---	0
C.I.C.A.	712	217	117	125	J. HANETI	125	---	---	0
115 CONV PR	500	120	115	200	J. HANETI	125	---	---	0
C.I.P.	202	701	203	9800	J. HANETI	125	---	---	0
125 CONV PR	180	140	140	300	J. HANETI	125	---	---	0
CANAL, SOC	515	115	515	10000	J. HANETI	125	---	---	0
CANT, JIPPEP	275	290	265	3000	J. HANETI	125	---	---	0
125 CONV PR	735	385	735	1000	J. HANETI	125	---	---	0
CAPITAL WAPR, SOC	745	385	745	400	J. HANETI	125	---	---	0
CERAMIC LIFE, SOC	276	---	---	0	J. HANETI	125	---	---	0
CERAMIC ICE	276	---	---	0	J. HANETI	125	---	---	0
CARRER HOLI	421	421	421	2100	J. HANETI	125	---	---	0
CERAMIC	276	---	---	0	J. HANETI	125	---	---	0
125 CONV PR	105	125	105	700	J. HANETI	125	---	---	0
CHALLENGE	215	225	215	10100	J. HANETI	125	---	---	0
CHALLENGE	140	140	140	100	J. HANETI	125	---	---	0
CHEN, SAS	160	150	160	7600	J. HANETI	125	---	---	0
CHEN, PAGES	775	715	715	300	J. HANETI	125	---	---	0
CHEN, REALTES, SOC	35	35	35	32000	J. HANETI	125	---	---	0
CLINT, INC	100	100	100	600	J. HANETI	125	---	---	0
125 CONV PR	92	92	92	600	J. HANETI	125	---	---	0
COLLENGVOOR, SOC	60	40	40	1000	J. HANETI	125	---	---	0
135 CONV PR	54	---	---	0	J. HANETI	125	---	---	0
COL, ROIP	105	---	---	0	J. HANETI	125	---	---	0
COLIN WATSON	97	97	91	3510	J. HANETI	125	---	---	0
COLLE, SOC	660	---	---	0	J. HANETI	125	---	---	0
CORPUS	160	160	160	900	J. HANETI	125	---	---	0
COR, BANK AUST	325	---	---	0	J. HANETI	125	---	---	0
COR, RETAIL, SOC	165	170	140	7400	J. HANETI	125	---	---	0
COR, SILVER, SOC	10	11	10	10500	J. HANETI	125	---	---	0
CORNS VINE	150	165	120	11500	J. HANETI	125	---	---	0
CORT-VICENT	110	111	110	1300	J. HANETI	125	---	---	0
125 CONV PR	85	85	85	700	J. HANETI	125	---	---	0
CORON CONSULTANT	197	95	195	18000	J. HANETI	125	---	---	0
135 CONV PR	580	180	175	3000	J. HANETI	125	---	---	0
C.E.A.	915	---	---	0	J. HANETI	125	---	---	0
CORON, SOC	185	195	185	1500	J. HANETI	125	---	---	0
COR, GUYEN, J2	217	220	218	10500	J. HANETI	125	---	---	0
COR, HOFF, & KINC, SOC	50	50	50	3400	J. HANETI	125	---	---	0
COR, HOFF, & KINC, SOC	155	155	155	1300	J. HANETI	125	---	---	0
O.J.C.	150	150	150	550	J. HANETI	125	---	---	0
125 CONV PR	125	125	125	200	J. HANETI	125	---	---	0
CRIVELL, N. PAULSEN	---	---	---	0	J. HANETI	125	---	---	0
O.NEL WALLACE, SOC	118	117	115	9400	J. HANETI	125	---	---	0
175 CONV NIS 72R	---	---	---	0	J. HANETI	125	---	---	0
156 NIS 72R	120	---	---	0	J. HANETI	125	---	---	0
OR CONV PR	60	---	---	0	J. HANETI	125	---	---	0
D.J.P.A.	68	---	---	0	J. HANETI	125	---	---	0
DOP, HAN, SOC	60	87	70	6000	J. HANETI	125	---	---	0
125 CONV PR	40	40	40	300	J. HANETI	125	---	---	0
ADARNT'S	315	370	315	100	J. HANETI	125	---	---	0
175 CONV PR	325	125	325	300	J. HANETI	125	---	---	0
D.J.P.A. CONV PR	90	90	90	7000	J. HANETI	125	---	---	0
DUNLOP (NZ)	340	540	335	6000	J. HANETI	125	---	---	0
4.56 PM	45	41	45	100	J. HANETI	125	---	---	0
CBRT	110	110	110	500	J. HANETI	125	---	---	0
115 CONV PR	85	91	85	4500	J. HANETI	125	---	---	0
D.J. STEIN, SOC	190	190	190	3500	J. HANETI	125	---	---	0
CORPOR, FINCH, INC	250	755	250	400	J. HANETI	125	---	---	0
CHEN, HAN	145	145	145	100	J. HANETI	125	---	---	0
EADING	170	170	170	100	J. HANETI	125	---	---	0
F.I.C., SOC	125	135	107	5000	J. HANETI	125	---	---	0
115 CONV PR	75	75	75	1400	J. HANETI	125	---	---	0
F. HAN, SOC	40	---	---	0	J. HANETI	125	---	---	0
125 CONV PR	115	115	115	1500	J. HANETI	125	---	---	0
FISHIN & PAYNEL	217	217	210	9200	J. HANETI	125	---	---	0
FLETCHER	344	347	323	58000	J. HANETI	125	---	---	0
105 CONV PR	105	106	104	100	J. HANETI	125	---	---	0
FOUNTAIN CORP	125	25	125	1400	J. HANETI	125	---	---	0
FRIGHTWAYS, SOC	55	55	55	1800	J. HANETI	125	---	---	0
105 CONV PR	100	100	100	200	J. HANETI	125	---	---	0
GEAR	70	70	70	400	J. HANETI	125	---	---	0
11.56 CONV PR	60	---	---	0	J. HANETI	125	---	---	0
65R, FINCH	200	---	---	0	J. HANETI	125	---	---	0
G. COUAT	120	---	---	0	J. HANETI	125	---	---	0
G. COLE, SOC	207	---	---	0	J. HANETI	125	---	---	0
GOLOTH BAT, SOC	50	51	50	42400	J. HANETI	125	---	---	0
DOODMAN GROUP	245	245	245	600	J. HANETI	125	---	---	0
145 CONV PR	166	---	---	0	J. HANETI	125	---	---	0
GROSVENOR GROUP, 25C	50	---	---	0	J. HANETI	125	---	---	0
HALLINGTIN	250	250	250	700	J. HANETI	125	---	---	0
HANIN	145	---	---	0	J. HANETI	125	---	---	0
HANRICK ENTERPRISES, 25C	250	210	210	700	J. HANETI	125	---	---	0
HAVENS, SOC	52	52	49	30900	J. HANETI	125	---	---	0

	Last sale	Week's high	Week's low	Turnover
GRILLERUP, SOC	100	300	295	600
5-7.56 PM	95	---	---	0
GRIMM & ORDMAN MAPLS, SOC	190	---	---	0
GRIMM BLDG, SOC	175	---	---	5500
125 CONV PR	153	---	---	0
ORTINS C.M.	130	530	510	2100
S.M.P.	785	295	285	36000
SPEERLING, SOC	512	112	112	860
SYNR CROSS ATMS, SOC	216	17	10	2000
S.M.P.	216	211	212	72200
125 CONV PR	105	70	70	300
EZEEL A TUBE, SOC	70	125	105	12000
GUELIN	150	---	---	0
TASHAN, SOC	300	360	342	14700
NEB PR	---	---	---	0
PART A	---	---	---	0
125 CONV PR	152	152	152	500
YELMER	385	195	125	1600
125 CONV PR	100	---	---	0
125 CONV PR	570	320	300	400
YOLRI	110	110	100	4500
100R FL31	55	---	---	0
TRANS ARBUNTON, SOC	60	60	60	200
YML GROUP, SOC	65	75	75	20900
105 CONV PR	40	60	60	7600
174 CONV PR	62	62	62	14000
TRANS INTR. CANZ. 1	100	1		

Caltex deal seals oil industry roading domination

THE domination of New Zealand's highly competitive road sealing business by oil companies has moved closer.

Caltex has broken with its past policy of avoiding direct involvement in roading companies and has bought a substantial minority shareholding in Auckland contractor Farmer Construction Ltd.

Now, all four oil companies trading in New Zealand have equity holdings in road construction firms and their involvement is expected to increase in future.

For more than a decade BP has been involved through its wholly-owned subsidiary, Road Developments Ltd; Mobil has a controlling interest in Emuleum (NZ) Ltd; and Shell, which annually supplies more than 40 per cent of the

bitumen spread on our roads, has minority stakes in both Waikato Bitumen Ltd and Reliable Roads Ltd.

The companies all operate in the Auckland-Waikato district, the country's largest market and scene of some of the most intensive competition during the turmoil of the construction season just passed.

All, except Reliable Roads Ltd, which specialises in asphalt rather than chip sealing work, were involved in the remarkable competition for the Whangarei county's rescaling business. The engineer's estimate for the job was \$77,000, two independent contractors submitted prices around \$75,000, while RDL, Emuleum and Waikato all said they could do the job for less than \$50,000. Also in the North Island last

year, work in the Hamilton district was being done for an average 70 per cent of the Ministry of Works and Development's estimate, and there were 25 per cent savings on all sealing contracts, estimated to be worth more than \$100,000.

Events were even more dramatic in Christchurch, where RDL arrived at the start of the season. The resulting competition involved two public listed companies, Farmer Waimak Ltd and Pavroc Ltd, and both lost substantial amounts of work. Estimates vary, but it seems that in that first season RDL did up to 50 per cent of the chip sealing work in Canterbury.

The tight, almost vicious, competition affected all parts of the country except the far

north, Otago, Southland, and the West Coast. It was held to be a major contributor to the underspending of the National Roads Board 1980-81 budget by \$9 million.

Caltex's move had been awaited since last November when its largest bitumen client, Winstone Civil Construction Ltd, was sold to RDL. Farmer Construction Ltd, in turn, had bought asphalt from Winstone Civil for use on its own roading and site development contracts.

As a direct result of the Caltex deal, Farmer is purchasing a new bitumen tanker and spraying equipment to handle chip sealing work and is in the process of installing the most modern turbulent mass asphalt plant in the country.

With the general level of pricing in the Auckland district

tending to indicate that that district is already well served with bitumen processing and spreading equipment, this latest development is undoubtedly going to attract considerable interest from the other contractors in the area.

Most contractors interpret the move as part of a developing trend that will see New Zealand's road sealing industry — like its Australian counterpart — placed in the hands of the oil companies before long.

Helping this trend is the present prolonged recession, that has accelerated the decline in fortunes of road contracting companies that began in the early 1970s. Many small companies have gone out of business and larger operations have all retrenched substantially.

Oil companies have often provided their clients with debenture finance and their bitumen bills are the largest item in the accounts of road sealing contractors.

As profitability goes, they can find themselves in charge of a contracting business almost by default; it was in this manner that BP originally acquired Road Developments Ltd.

Bitumen's market share also appears to be an important item

in oil industry calculations, although the companies themselves deny this, saying that market really is too small to be terribly worried about.

In theory, an oil company can supply the Marsden Point refinery with a feedstock that will produce a product more suited to its various market requirements.

But as supply difficulties have restricted the choice of sources from which companies can draw their supplies, it is now being used as a bargaining chip to secure larger bitumen fractions to be disposed of.

Contractors are at a moment tending on the season's National Roads Board and local authority self-contracts and it is expected prices will be restored to something like 1978-79 levels at least. But it is unlikely the competition will have during the winter.

Another unknown but already been dropped into the equation — the companies have been unable to agree on a new price for bitumen usually announced by July, and there is speculation that this season they will have to go their own way on these

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Trade bans prove to be a costly conscience gesture

by John Draper

TRADE bans seem to hurt those who impose them most.

The Federation of Labour's trade ban on Chile has handed a \$20 million plus dairy products market to the European Economic Community.

United States President Jimmy Carter's grain embargo against the Soviet Union for the invasion of Afghanistan is supposedly cutting American exports by \$2.6 billion and costing the Administration \$4 billion.

The European Economic Community is hardly paying lip service to the Soviet ban, which is also supposed to include high technology. Argentina, a major grain exporter, has chosen to ignore it altogether.

Carter's call for a trade embargo against Ayatollah Khomeini's Islamic Government in Iran has been similarly ignored by the Europeans, who are only banning completely new trade, while allowing businessmen to expand existing contracts.

And then there were the British Government's sanctions against Ian Smith's regime in Rhodesia, given the weight of the United Nations support, but breached by the state-owned oil mogul, BP, and its partially British-owned sister Shell.

The London Financial Times reported that the lifting of sanctions last year would make very little impact on the Zimbabwean economy. Sanctions had fast been eroded, particularly in the 12 months leading up to the Lancaster House settlement, it said.

When Ian Smith declared UDI in 1965, Britain was Rhodesia's largest trading partner with a 25 per cent share of overall trade.

According to the Financial Times, since 1965 Zimbabwe Rhodesian imports have more than doubled, but Britain has not shared in that growth.

"It is accepted that the British will get some of their market back but nothing like the 25 per cent total stake enjoyed in 1965," the paper said.

America has had similar problems with the grain embargo against the Soviet Union.

Carter is stopping the sale of \$2.6 billion worth of corn, wheat and soya beans to the Soviet bloc, a decision that could cost the United States taxpayer more than \$4 billion by the time exporters have been compensated, storage fees, farmer support programmes, gasohol options and special aid are taken into account.

But the Soviet Union is likely to go without only 20 per cent the grain it needs for feeding livestock and to make up its own livestock shortfalls.

Argentina has increased sales, getting the benefit of higher prices — up 20 per cent. Canada and Australia have only agreed not to add to existing contracts.

However, sales of Australian and French grains have been made through third countries acting as agents, particularly the Eastern European nations.

A ban on high technology sales is being supported by some European nations plus Japan, though West Germany is a notable exception.

British Foreign Secretary Lord Carrington said recently that the Government had tight-

ened the "rules" on the sale of technology and "as a result a lot of high technology equipment which would have gone to the Soviet Union has not gone," he said.

But since the restrictions were announced, British exports to Russia have increased dramatically.

"The recent figures reflect contracts entered into before the Soviet invasion of Afghanistan, but I do not see much point in taking action which is going to damage you more than the Russians," Carrington said.

It is a sentiment shared by the other European nations, who are in excess of \$23 billion

by East Europe and the Soviet Union.

West Germany is substantially dependent on the Soviet Union, the supplier of 15 per cent of its natural gas and 40 per cent of enriched uranium, and is therefore reluctant to take any action that might jeopardise trade or make the Eastern bloc reluctant to pay its debts.

Britain is even less enthusiastic on sanctions against Iran to support America's demands for the release of 50 hostages.

South Africa has long been aware of possible sanctions against its trade and the Wellington Harbour Board Em-

ployees Union's consideration of a ban last week was just the latest.

As such, a trade ban by New Zealand would have little impact on either nation. New Zealand exports \$6 million worth of goods and buys \$10 million, though last year there was an exceptional purchase of refined petroleum products by Mobil which boosted the figures.

South Africa is understood to have well prepared contingency plans should the world's major trading nations ever decide to implement a trade boycott. That possibility now seems remote as South Africa's

importance to western security grows.

New Zealand alone is imposing a ban on trade with Chile, though it is no more than a token gesture unable to prevent imports of Chilean wine and unable to stop exports of skills, seeds, agricultural machinery and animal semen.

Only the Dairy Board is effectively barred from exporting to Chile, though it is understood it has costed the possibility of transhipping in Panama to avoid the ban enforced by the Federation of Labour.

Chile is importing \$14 million of butter, more than double

the amount in 1978, cheese \$2.5 million up 70 per cent and milk powder, \$15 million up 26 per cent.

The European Economic Community is now the major supplier of all three products. The Dairy Board's Chilean agent told NBR recently that the board was most unlikely to cut into the butter market should the trade ban be lifted. But it ought to be able to effectively compete for a share of the milk powder contracts.

Few Chileans, including those working in the Ministry of Foreign Affairs, are aware that New Zealand trade unions still impose a trade ban.



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Insertions	Insertions	EXTRA COST
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NEWSWEEK 0	NEWSWEEK 6 at \$487 = \$2,922	INSERTIONS = +4
TOTAL: 8 = \$11,608	TOTAL: 12 = \$11,628	REACH = +12,000 (11.2%)
REACH = 51,000 (48.5%)	REACH = 63,000 (59.7%)	GROSS IMPACTS = + 2,000
GROSS IMPACTS = 256,000	GROSS IMPACTS = 258,000	AVERAGE FREQUENCY = - 0.9
AVERAGE FREQUENCY = 5.0	AVERAGE FREQUENCY = 4.1	

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NW 101

The Pacific

Constitution drafted for grandiose tax haven

by David Roble

EMERGING from the so-called Vemarana Federation secession based on Espiritu Santo, largest of the 80 sprawling islands in the Anglo-French condominium of the New Hebrides, is a grandiose tax-haven venture. A group of meddling American and French businessmen hope that it will become a magnet for international investment.

The blueprint, outlined in the constitution, was actually drafted thousands of kilometres away - in a real estate office near the American Nevada state Capitol building.

The document is a triumph for American real estate developer Michael Oliver, 51, who has been involved in attempts to set up a free enterprise, anti-bureaucratic state in Tonga and the Bahamas.

At least, it will be, if the month-old breakaway led by Nagriamel Party leader Jimmy Moses Stevens survives.

For the government of Chief Minister Walter Lini, whose English-speaking Vannak Party was swept to power in a landslide election victory last November, it is grotesque.

Lini's administration, steering the New Hebrides to independence on July 30 in defiance of British and particularly French pussyfooting, sees the Vemarana breakaway as an attempt to sabotage an emerging nation before it has reached first base.

"I've been working with Jimmy Stevens, leader of the New Hebrides free enterprise independence movement, for 10 years," Oliver says. (Stevens would hardly be flattered with the description of his largely French-speaking party as a pawn).

"Stevens and leaders of his group have flown back and forth from the New Hebrides to Carson City many times in recent years as we formulate plans, and as I advised them on what steps to take."

According to Government sources, Europeans in Vila received brochures offering "an investment in the Vemarana Federation" on May 28 - the day independence was proclaimed by Nagriamel on Santo.

The brochures outlined two

parallel investment plans, one for \$10 million and the other for \$2 million if insufficient funds were raised to meet the first scheme.

Three American directors were named for the Vemarana corporation, charged with realising the plans. Besides Oliver, who founded the Phoenix Foundation in 1975 to encourage free enterprise against socialism or communism in emerging nations, were Tom Eck, a Carson City lawyer who helped draft the constitution, and Dr John Hoppers, 59, a philosophy professor at the University of Southern California and the first American Libertarian Party presidential candidate in 1972.

According to its preamble, the constitution's purpose is "not to establish a government that plans, controls or regulates the lives of its citizens, but rather to produce the smallest government required to ensure a peaceful framework in which citizens have maximum control over their own lives." (A five-man cabinet is provided for - prime minister, foreign minister, external and internal security ministers and finance minister).

"Its sole function is to protect its citizens against force and fraud from internal or external sources and to establish those relations with other countries that are required to facilitate international commerce and communication." (So the tax money can be issued by individuals or groups and revenue would be derived from the sale of coins and stamps).

"History is filled with examples of emerging nations that have become poorer or less free after independence than before because of a lack of freedom to exercise personal incentive and because of an excessive dependence on government sustenance..."

"In this constitution, great effort has been made to hold the powers of government tightly in the hands of the people so that government will find it difficult to grow from a good servant into a bad master."

Provision is made for other islands in the northern group (neighbouring Aoba has already done so) to join the Vemarana Federation and for a

ARTICLE XIV RATIFICATION

This Constitution shall be ratified by a majority vote of the Constitutional Committee established for the purpose of preparing and ratifying the Constitution. The Constitutional Committee shall consist of all Custom Chiefs and such other persons selected by a three-fourths (3/4) majority vote of all Custom Chiefs.

DATED: April 15, 1980

APPROVED BY:

Michael Oliver
John Hoppers
Tom Eck
James Stevens
Walter Lini

The constitution ratification with Stevens' signature and stamp

loose tie with the rest of the condominium to form a "confederation of the New Hebrides."

New Hebrides government critics bitterly attack the constitution and its claim that the Vemarana government would

exist only "to protect the rights of individuals."

The critics say that only people paying for state services - courts, police and national defence - would be able to use them.

So, for example, if a citizen

does not pay towards the cost of the police, he cannot receive police protection. And if the courts are not paid for, they cannot be used.

But a citizen, according to the Vila government, could still be arrested and tried by the

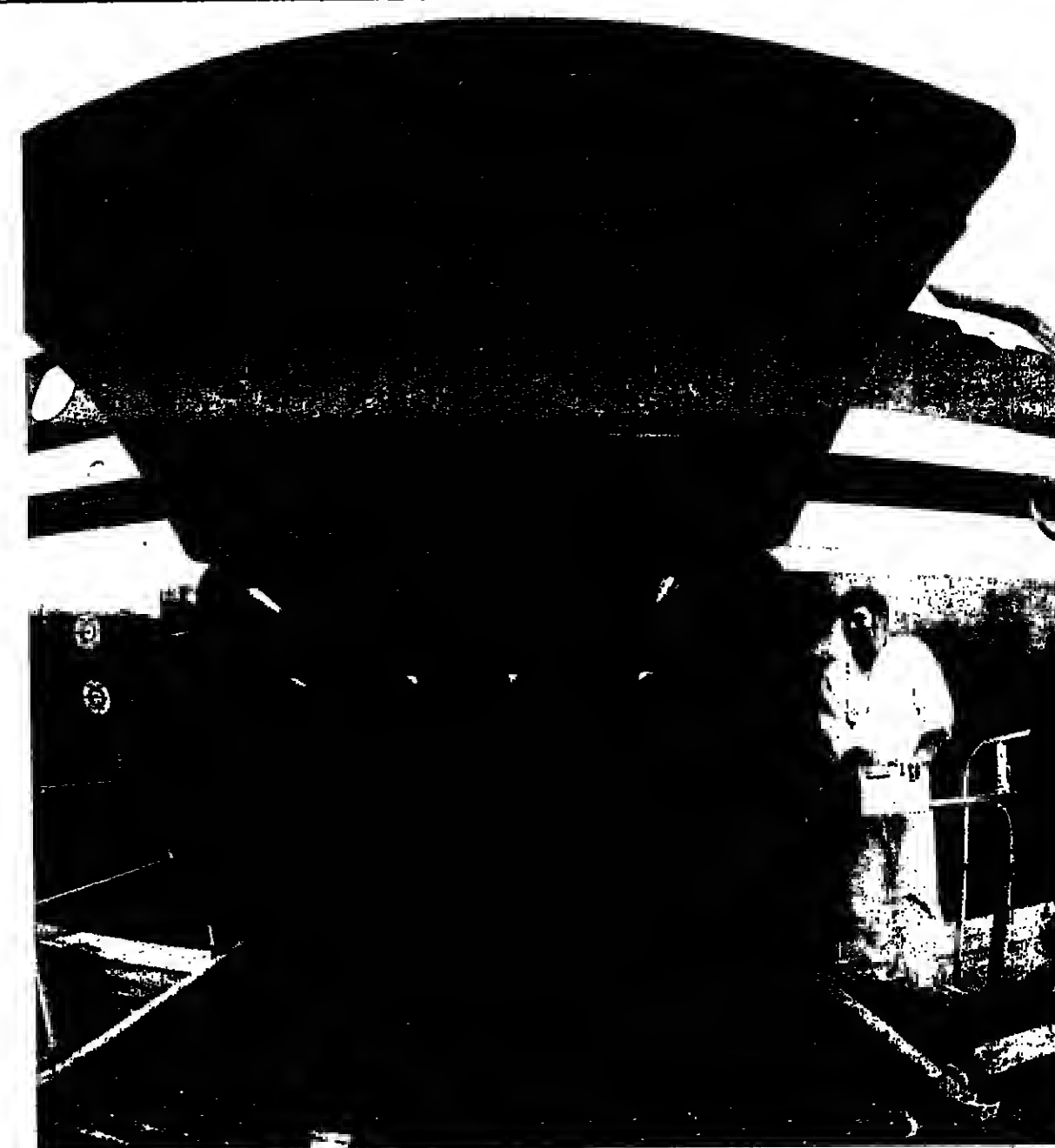
courts for violating somebody else's rights.

Oliver is concerned with the interference of governments and most of the constitution is devoted to outlining what the administration cannot do. It cannot issue money, levy taxes, pass laws concerning marriage and divorce, nor interfere with relations between employer or employee.

All services such as posts, communications and roads would be privately owned operated, and the government would be barred from taking part in any business or trade.

Everything would revolve around individual businesses and entrepreneurs.

As Vila officials put it, a Vemarana citizen is "free" to be uneducated, or to die, if he cannot find the cash to do otherwise.



Deputy Finance Editor

Wellington's afternoon daily, "The Evening Post", will shortly have a vacancy for the position of Deputy Finance Editor.

This position, which carries a senior grading, mainly involves reporting duties, although some subbing is involved. The successful applicant would be expected to take charge of the department in the Finance Editor's absence. Applications, which will be treated in the strictest confidence, should be made to:

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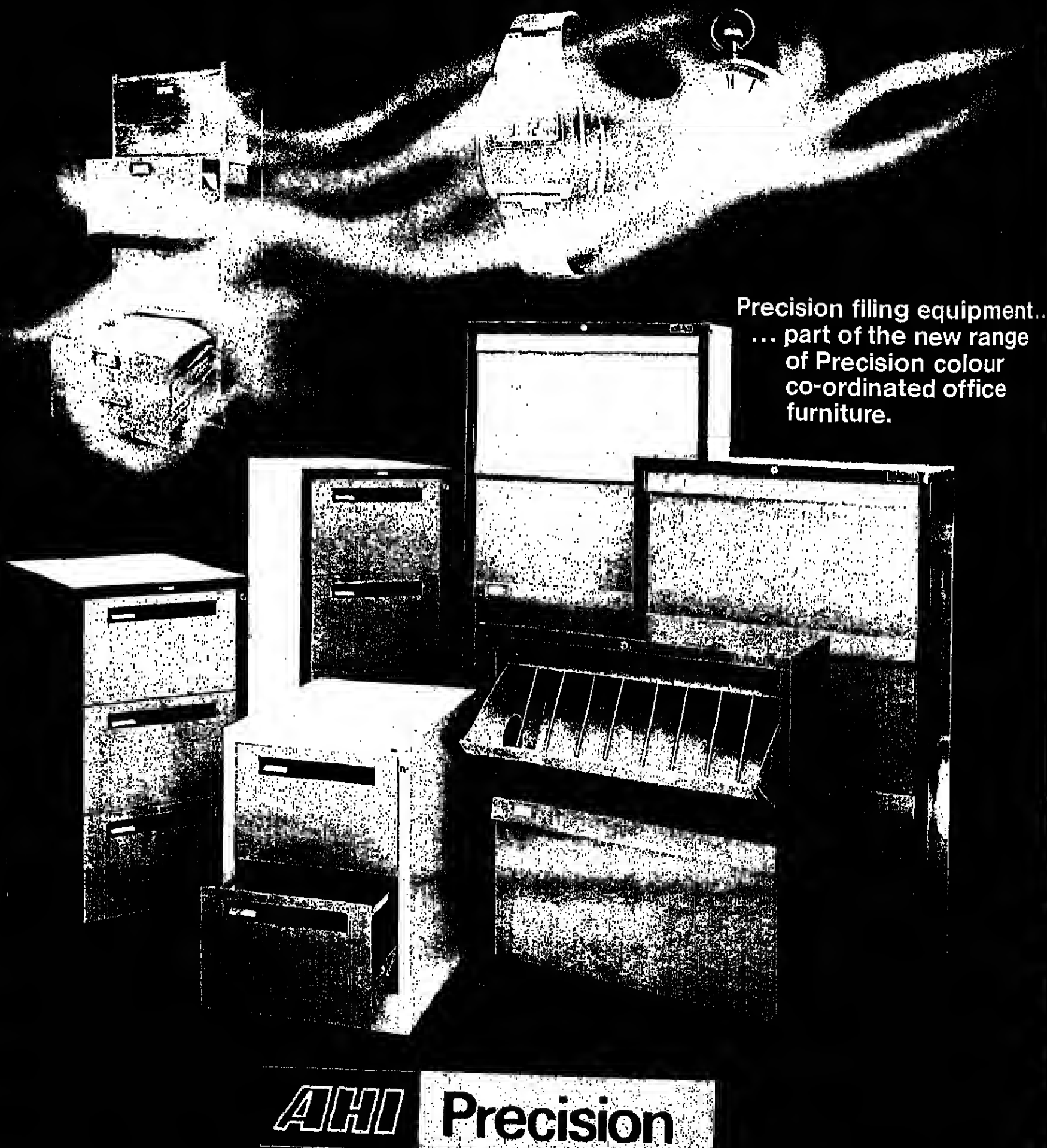
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IT'S TIME TO MAKE THE PRECISION DECISION



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Peaceful Pacific faces real threat of terrorism

by Rocky Wood

NEW Zealand has escaped one of the great crises which has developed in the world since the late 1960s. This crisis threatens Western societies and democracy. Like inflation and the energy crisis it often seems beyond our control. But much can be done about it. The most effective ways of dealing with this problem rely on a simple point — understanding the philosophies of its perpetrators and victims. I refer, of course, to terrorism.

This country has not yet been subjected to a terrorist attack and the public, business and the media have developed a disarming, and potentially dangerous, attitude of "it won't happen here". The event that will bring a change in this situation about will be a terrorist attack.

Foreign experts and agencies specialising in the study of the terrorist threat are predicting a massive upsurge during the 1980s. The New Zealand attitude must therefore be reassessed and seriously questioned.

The Government has taken forward thinking measures in an attempt to counter possible incidents. But it is obvious that totally adequate measures can never be introduced. The main problem is that sufficient measures are not taken until a country has suffered at least one attack. This has been the case in every nation and it is not something which is or really can be learnt from previous mistakes.

The psychological effect upon a nation suffering its first attack, specially if lives are lost or the event drags on for some time, is temporarily crippling. It brings about a change in attitude, large spending on counter-terrorist technology and an overall tightening of security. An analogy — shutting the stable door after the horse has bolted.

Terrorist incidents have increased yearly. A table produced by the Institute for the Study of Conflict, based in London, shows 177 recorded incidents in 1968 and 975 in 1978. That is a staggering increase of 451 per cent. Early estimates produced by the Institute for Studies in International Terrorism at New York State University indicated a continuing increase in 1979 over 1978. Dr Yonah Alexander of the Institute said 45 per cent of incidents were directed against business.

To carry through the intellectual justifications many terrorist organisers deliberately suppress the moral instincts of their recruits. The instinctive humanity in many terrorists has to be blunted before certain actions of cold-blooded, calculating murder and other offences, can easily be undertaken. This suppression, often obtained by acts of depravity within the group, is a threat to civilisation.

To terrorists violence is not simply a political weapon, it is a substitute for the entire political process.

The PLO, IRA, Bader-Meinhof gang, the Japanese Red Army, the Red Brigades, the Symbionese Liberation Army and dozens of similar groups have shown no desire to engage in the democratic process. Politics has always been recognised as the basic machinery of civilisation.

The terrorist acts support the spread of the totalitarian state. The countries which support the infrastructure of international terrorism (for example the Soviet Union, South Yemen, Ethiopia, Vietnam and Libya) are authoritarian states ruled by military and police power. These are repressive regimes which are interested in the destruction of democratic states.

Terrorism distinguishes between democracy and totalitarian states, in favour of the latter. It can gain a foothold in any state which is under any

Answering the challenge of terrorism requires an effective international response. What is possible, and is the responsibility of each country is an effective national response, from the government, the criminal justice system and the media. The wrong philosophy from any of these areas can, and often does, lead to the continuing success of individual terrorist groups.

Governments negotiate with terrorists. These negotiations are not aimed at destroying or capturing terrorists but are intended to gain the release of

criminals.

The beginnings of an effective national response is technological and social — better airport security, counter-terrorist units and so on. The basis of a truly effective response must be a philosophy accepted by the public and implemented by the government, the courts and the media.

The basis of this philosophy is to consider terrorists as criminals — no better, no worse. The point, however, is to treat all terrorists as criminals. Despite the moral dilemma a society cannot pick and choose.

Every day new evidence comes to light to show that certain states not only provide safe refuges for terrorists but actively support, arm, finance and train terrorist groups to work in other nations.

Charges that the Soviet Union and its client regimes are controlling much terrorism has been evidenced recently. Some 60 trainees from the PFLP, Al Fatah and other groups were trained last year at the Crimean Military Academy at Simferopol in Russia. Robert Moss, editor of the *Economist Foreign Report* told a three-day sym-

posium on terrorism in Jerusalem last year that political differences among the various groups seem to be submerged on these occasions for self-improvement.

Amore clear cut example — it is no surprise to learn that PLO terrorists on a raid near Tel Aviv in 1978, in which 34 Israelis died, carried three rucksacks of an East German training camp, each labelled with their names, and Soviet weaponry.

The Syrians actively back the Sacka, which is described as "nothing more or less than an adjunct of the Syrian intelligence services."

In April 1979 news was leaked that the Cuban intelligence service, which is directed by a Soviet KGB major-general, had concluded an agreement to train several

hundred Palestinian terrorists in Cuba. PLO terrorists are also being trained by KGB officers in Hungary and Bulgaria.

Libya has long been a notorious "safe house" and training ground for terrorists and it was that country's leader, Colonel Gaddafi, who sponsored the attack on the OPEC ministers' conference in Vienna in 1975, for which he is believed to have paid Carlos over \$2 million.

In 1973 the Irish navy seized a ship carrying five tons of arms and ammunition, including 250 new Russian automatic rifles. They had first been supplied to Al Fatah by the Soviets and had been given to the Provisional IRA by Al Fatah.

In a paper for the Institute for the Study of Conflict, Professor of International Relations, Paul Wilkinson said: "One inescapable conclusion to be drawn from all the evidence gathered by Western intelligence services must be that the Soviet Union and its clients and allies bear a major responsibility for supporting terrorist movements around the world on an opportunistic basis."

"They, together with a number of pro-terrorist Arab states, have provided the bulk of the cash, weapons and training for some of the most dangerous groups."

The fundamental inadequacy of the hope for an international response is evident. Some nations have nothing to gain and much to lose by helping stamp out terrorism. The king pin of these is the Soviet Union, currently in serious strife for its overt actions in Afghanistan. Perhaps it is time to take a closer look at the covert actions of the Soviets and their "independent" allies.

Much business terrorism is aimed at extorting money from multi-nationals. This money is then used for more brutal terrorism. Terrorists will rarely kill a businessperson if a ransom is paid but will kill or maim political targets or innocent bystanders without compunction.

William Neihous, the American corporate executive kidnapped by Venezuelan terrorists and held for ransom for 40 months before his rescue, had this to say about his captors: "I was held by the right kind of people who, although they might not have respected my right to be free, did respect my right to the most basic of all rights — life."

New Zealand will inevitably suffer a terrorist attack sooner or later and we will then have to awaken ourselves to certain realities. Will we negotiate for hostages' lives and let the killers go or will we let the hostages die? How will we treat our captured terrorists — as political prisoners or murderers? How would the nation react to an internal terrorist group?

Make no mistake — New Zealand is vulnerable and ripe for the attack. An attack here would make world headlines (terrorists crave publicity) and terrorists might suspect that our response would be inadequate enough to ensure success. How will we bear up under the inevitable?

Robbie Wood is the Research Officer for Armoured Freightways Ltd.



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kind of legal, democratic or moral restraint in dealing with terrorism. A totalitarian state, using methods such as "judicial murder", preventive arrest, torture and censorship, can eliminate or cripple terrorism.

The Stoh's rule in Iran was undermined by terrorists — not because his regime was ruthless but rather, because it hesitated to be ruthless. While terrorism can destroy a democracy, as it destroyed Lebanon, it cannot destroy a totalitarian state.

In meeting the terrorist threat a free society must arm itself. In this process an over-reaction is possible. By taking measures which are too strong a democracy threatens itself.

The terrorist philosophy succeeds when it provokes oppression. It also triumphs when it is met with appeasement.

hostages or some similar result. The natural and inevitable result is to concede part, or all, of the terrorist demands.

We see governments releasing convicted criminals in response to these demands; we see terrorists given the status and legitimacy of negotiating partners instead of having them relegated to their correct status as common criminals; we see terrorists treated as political prisoners, instead of as murderers.

On the other hand we see newspapers, radio and television placing such terrorists as the PLO on the same level of moral equality as independent nations. We see the media portraying terrorists as politicians — misguided in their use of violence — when they are not politicians at all. They are

At the Commonwealth Parliamentary Association Conference in Wellington last year the Hon J E Brocklebank of Canada suggested that one country's traitor is another country's patriot. This is a fact of life and one which a free nation must not ignore.

It is generally accepted that the only response to terrorism that will ever be successful in the long run is one which is truly international — in which every government agrees to treat terrorists as criminals when offences occur on their own soil and to extradite wanted terrorists and not to establish refuges for them.

Unfortunately it appears that this response is an idealistic one which is doomed to failure in the reality of international politics.

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Brokers move to implement self-regulation system

by Rae Mazengarb

THE Corporation of Insurance Brokers has moved to implement a system of self-regulation. But it is still pressing for statutory controls.

At the corporation's annual meeting in Wellington, members adopted a recommendation to substantially change membership and voting rights and agreed to a code of conduct and practice designed

to upgrade brokers' standards. A move to substantially raise the required level of professional indemnity insurance — now a minimum of \$30,000 — was set aside for later consideration on the grounds that the proposed amount could squeeze smaller brokers out of the marketplace.

Draft legislation in the form of an Insurance Brokers' Registration Act — to protect the public from broker failures

and defaults — previously has been presented to Justice Minister Jim McLay.

But he told the meeting he had not been convinced that legislative control of the industry was in the public interest.

He had seen "some merit in the request" but had called for further submissions.

He assured the brokers that the new submissions, would "be given the most careful

consideration".

Industry members have claimed that a statute which recognised the profession and its ruling body would give the corporation the teeth it needed to prevent all and sundry from setting up shop and calling themselves brokers.

McLay pointed out that the industry had never been under legislative control but had "already attained a high degree of voluntary self-regulation",

even when compared with other occupations and professions regulated by statute.

He gave credit for that, but left the issue of Government or legislative control for further discussion.

He reiterated earlier observations that control of a particular industry or profession is "best exercised from within" — members of a particular industry group have the most interest in ensuring that proper

standards are maintained inside the industry, and the more a loss if they are not maintained.

Headminded that a legislative framework sometimes required but said the most important question was whether there was a demonstrable need here for legislation similar to that adopted in Britain.

Corporation president Murray Hogan said the Ministry was "sympathetic" to the brokers' request.

Since the early 1960s there had been a proliferation of brokers, he said.

Where was the security for the public — the guarantee that one was not dealing with a man of straw? he asked.

In 1960 there were about eight broking organisations in Auckland. Today there are about 45, ranging in size from one-man operations to huge multinationals. They are registered (recognised and regulated by the industry body) or unregistered.

Last year the operation of one insurance broking company — R. Tether Insurance Ltd — required the appointment of a provisional liquidator and later a winding-up order.

But industry members fit those moves were like shutting the gate after the horse had bolted, and provided little solace for the many clients who suffered heavy losses in damaged aircraft and similar vessels. The Tether case believed they had insured cover, only to find their claims unpaid.

At that time, there was a mushrooming of broking organisations (many unregistered and not subject to the CIB's strict requirements) in a difficult and competitive market.

The corporation approached McLay late last year asking legislation to oblige registration of brokers.

The need to cover a much wider area of the market has previously to stay competitive had markedly increased overheads. But a "softness in the marketplace" had had a relieving effect on incomes, Hogan said.

Hogan split out progress of the legislation, emphasising that the Minister's comment on the corporation had centred on two questions.

- An elaboration of the "public interest" aspect;
- The need for brokers to form trust accounts into which client premiums would be paid.

The corporation's council had prepared new submissions which detailed broker failures in New Zealand and overseas. These were with the corporation's solicitor, Hogan said.

The major change to result from the annual meeting was effect to a new membership structure and revision of voting rights.

The new code of conduct specifies ethical standards, requirements of impartiality and independence of particular insurers; adherence to Reserve Bank requirements regarding placement of risks offshore; clauses requiring adherence to regulatory legislation including the "proposed Brokers' Registration Bill"; and criteria for the acquisition of business held by another broker.

Efforts to raise the minimum level of professional indemnity cover by more than \$200,000 were hindered by opposition for the smaller brokers might feel prepared to

Admark

O & M looks to second decade

by Grev Wiggs

GEOFF Lindley, managing director of Ogilvy & Mather, Sydney, paid a nostalgic visit to Wellington to join in the tenth birthday celebrations of O & M's Wellington office which he established.

"Our chief problem in getting successfully under way," he told *Admark*, "was the opposition offered by New Zealand agencies."

"Kiwis are tough and resourceful advertising people. That is why we have much more than a proportionate number of New Zealanders with our company in offices around the world."

At the end of the first decade of local operation, the company was soundly established with two offices and a highly trained staff at all levels Lindley said.

It had earned a vote of confidence from the large and significant advertisers who placed business in the country. Only 10 per cent of the accounts held were international in character and the balance consisted of local companies.

New Zealand chairman, Ken Brady, told *Admark* that as an early move in its second decade, the local company would follow an O & M overseas trend in developing a direct response operation. The company has 13 direct response agencies in nine countries. Australia had entered the field about a year ago.



Geoff Lindley... here for celebrations

"Working women have more money but less time to spend it in," said Lindley. "Couple this with the coery problem, parking and traffic hassles and greater in-store traffic and shopping is less of a pleasure."

"At the same time, credit cards and improved electronic

technology are making it increasingly easier to shop through direct response. In USA 20 per cent of the shopping is done this way.

"This is the marketing wave of the future," said Lindley.

No bouquet for wine ad

THE wine industry has never had it so good. Year after year, the consumption of wine grows steadily and vineyard plantings extend. With increasing popularity comes a demand for better, and hence pricier, wines.

The annual accounts of listed wine companies reflect the growing prosperity.

But the industry faces the strong possibility of losing credibility with its consumers — a confidence crisis that calls for an overhaul in current methods of advertising and communication.

The exposure of the fact that some of the contents of New Zealand wine bottles could come from the tap as well as the grape meant that wine-bibbers could never again look familiar labels in the face with the same degree of confidence. Failure to name the offenders smeared the possibility of guilt over the whole industry. And the introduction of legislation to sanctify the practice does not do a thing for the industry image.

In a similar way, the new labelling requirements can be construed to reflect unfavourably on current procedures. Under the new provisions, a wine cannot bear the name of a single grape unless 75 per cent of the juice used comes from that variety. This raises the questions of what standards the winemakers have been using in the past and why the regulation was felt necessary.

Wine buffs, through greater exposure to a wider variety of New Zealand wines, have become more knowledgeable, more discriminating and more critical. And inexorable price increases have narrowed the gap between Australian and New Zealand wines. It is clear that a new situation is emerging.

It is time the wine industry as a whole began to recognise that its customers are tolerably well informed in wine matters and to understand that information would be more welcome than flattery or smooth prose in the advertising communication.

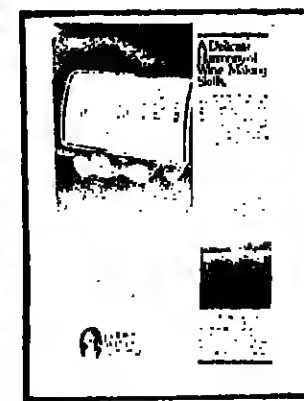
Typical of the outdated approach is that exemplified by an

ad for Corbans claret. "Corbans Reserve Claret. Strictly for the connoisseur," says the fairly pedestrian headline.

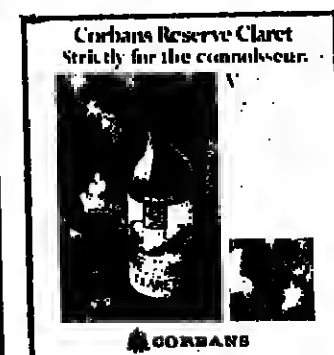
The copy begins: "Vinted predominantly from the noble Cabernet Sauvignon grape, Corban Reserve Claret has been aged in small oak casks." Predominantly? So what else is used? The copy does not say — even though the label states — that cabernet is combined with pinotage. The "connoisseur" will undoubtedly know that French claret blend other grapes with the 60-80 per cent cabernet content to produce "the strength of character expected from the great wines of Bordeaux" that the copy talks about. So why be so coy about the addition of a second grape juice?

(The new labelling regulations demand that where two grapes are named on the label, they must supply 75 per cent of the juice from which it is made and be listed in order of

proportion.) The Corbans ad is a typical rather than an example of the wine advertising which still talks about abstracts such as "fresh finish" and "balance" without getting down to basics on product information.



"A Delicate Harmony of Wine-Making Skills."



The copy tells those interested that the wine is made from the riesling-sylvaner grape, that the Fernhill vineyard is on the sunny, north-facing bank of the Ngaruro river in Hawkes Bay, that it is planted in well-drained river silt and that the wine is back-blended in the German style.

Conceding that wine-making skills are all they should be, that is about all the information

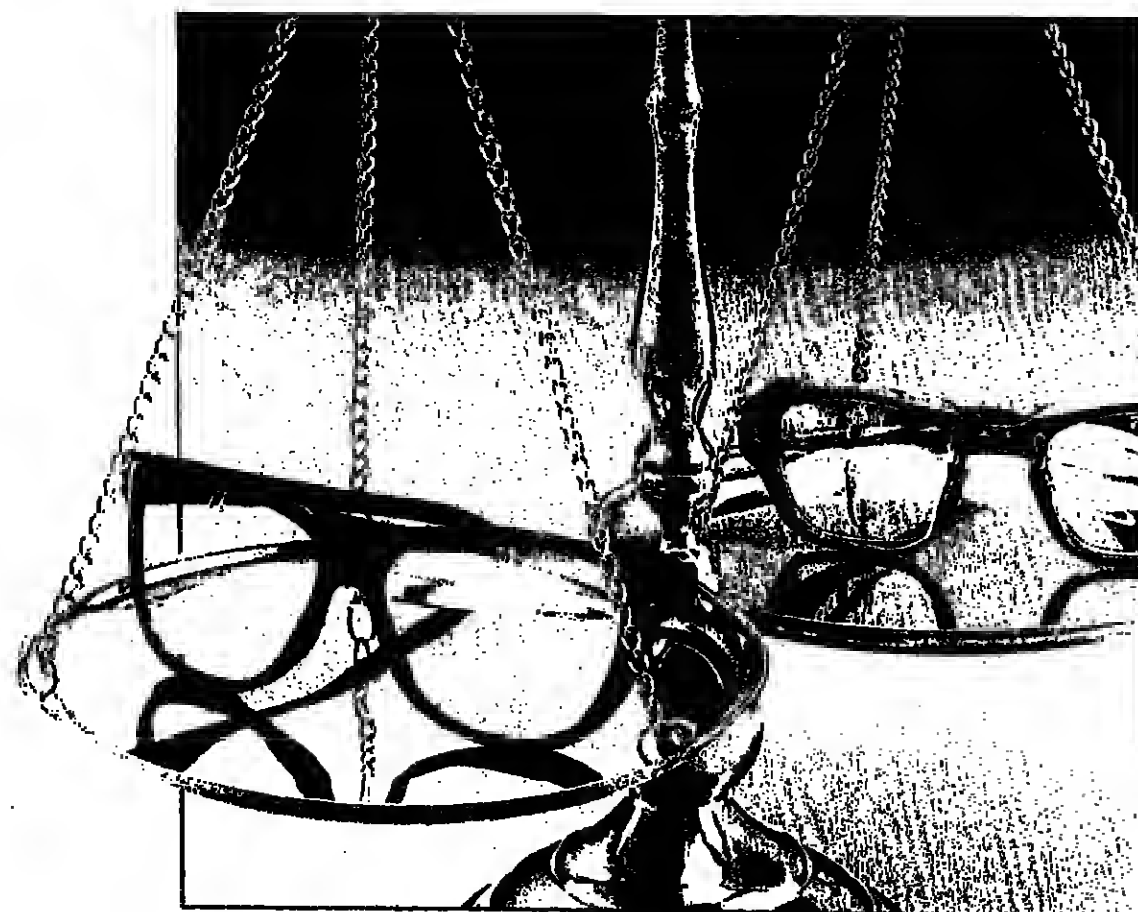
that the "connoisseur" needs to know. Except that if you still want to add to your knowledge you can write for an informative booklet. At least Cooks is treating its customers seriously.

But... that label which says "Riesling. A back-blended medium white wine." This coming vintage, won't it have to read "Riesling-Sylvaner" which is a cross between Riesling and Sylvaner, rather than "Riesling" — one of the aristocrats of wine grapes from which is derived the great German hocks?

Marketing award

ENTRIES are being received for the SMEI Marketing Award of the Year won last year by Heineman's New Zealand dictionary. The closing date is August 4 and the award will be presented at the SMEI national convention in September.

WEIGH IT UP! all-new Protector Safety lenses make sense!



Protector Safety spectacles are now lighter and more comfortable to wear... and safer!

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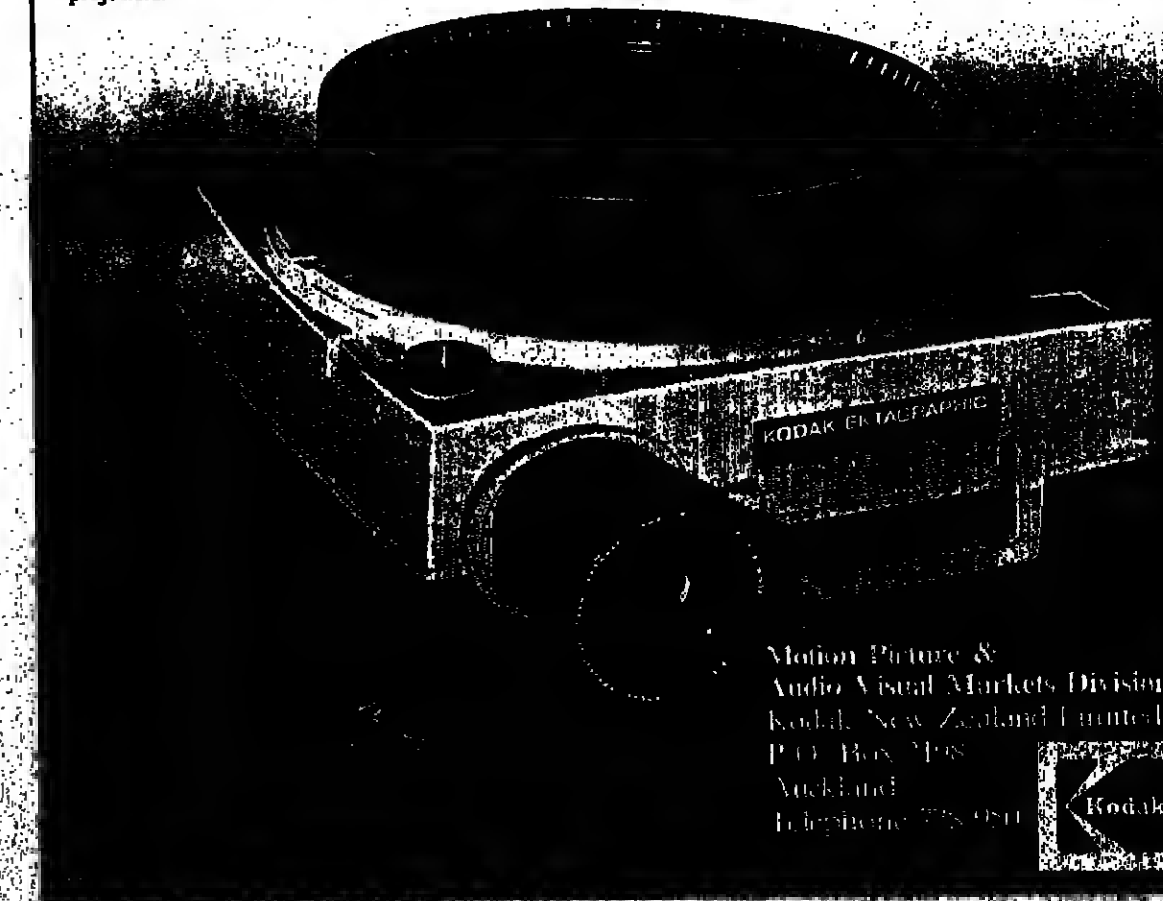
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Industrial relations

Betrothed unions legitimise marriage in stormy

THE Government's decision to permit stores to open from 7am to 9pm on Saturdays was seen in Wellington as a major political victory for those within caucus and Cabinet of a private enterprise persuasion. And it gladdened the hearts of Auckland entrepreneurs who have been pushing for weekend trading.

Not so in the cold and snoggy South.

In Christchurch, retailers seem less than enthused by the prospect of being dragged into the weekend maul.

Canterbury Retailers' Association president Tony Gyde said the Government's move had not changed his executive's views on the issue.

Gyde said his executive believed the lack of population

growth, coupled with the continued growth of shopping centres and other retail outlets, indicated that consumers had increasing opportunities for convenient shopping.

Retailers' Association representatives have met with local union officials to discuss their common problem.

But the executive decision on extended trading is not the end of the matter. The Retailers' Association plans to call a meeting of all retailers in Christchurch today.

The issue of weekend trading will be discussed at that meeting and a vote of all the retailers present will assess opinion.

Whatever the outcome of the meeting, some retailers already know where they stand.

Ron Maxsted, an ex-accountant, is the furnishing manager of the McKenzie and

Willis Company. The business is doing nicely, thank you.

Maxsted has been opposed to Saturday shopping since it was first mooted. He says he has written to Labour Minister Jim Bolger, Prime Minister Rob Muldoon and Trade and Industry Minister Lance Adams-Schneider over the issue, but has always been fobbed off.

Maxsted opposes Saturday trading for the following reasons.

• It will detract from family life

• It will not help the smaller firms, only the big ones. "It's obvious that Fletchers and Woolworths and the big food groups have pushed this along from the start ... Fletchers have been lobbying right the way through."

Maxsted acknowledges one

of the Government's goals. "I can see what they're trying to do. Open things up, and the inefficient operators go to the wall ... the smaller shops and the ones that can't compete with the lower mark-ups. But that only works in a market of 60 million, not 3 million."

• Maxsted believes Saturday trading will push up prices. "It couldn't be much less than 10 percent, and it could go up to 16 percent."

He says that United States retailers realise this and identify weekend trading as their biggest cost problem.

• The move is not needed nationwide. Maxsted concedes an "obvious demand in Auckland."

Maxsted is concerned that the debate and dissent generated by the Government's 7am to 9pm Saturday proposal will

encourage shop employees to vote in favour of joining the Distribution Federation.

The amalgamation proposed is of the Drivers Unions, Storemen and Packers Unions, and Shop Employees Unions so that they become part of one federation controlled by a single executive. The storemen and packers unions do not include the Wellington-based Storeman's Union, run by Phil Mansor, which has no links with Mike Jackson's northern union, or storemen in Christchurch.

Maxsted sees the Distribution Federation as a major problem and one which is more likely to arise through the Saturday shopping issue.

"A Distribution Federation would be a tough cookie to overcome and it could make shop employees more militant," he argues.

Levy had turned four in one and made it work. He done this, says Kelly, by converting existing union executives into occupational group committees — each responsible for the day-to-day affairs of their own sector of the unit and each able to formulate its own policies on industrial matters provided these policies were publicly stated to be the view of a group within the union, and not the union as a whole.

Levy's king-size union had additional expertise available because of its increased income, but the members of its new "federation" retained their own status, independence of operation and policy to the extent that they desired these things.

On his return to New Zealand, Kelly proposed a Distribution Federation organisationally based on Levy's Los Angeles model.

He said he first proposed the federation before the Shop Employees Union had any indication of the Government's intention to modify Saturday

Graham Kelly, of the Shop Employees Union, noted executive and secretary of the Wellington branch of the union, describes the Retail Federation editorial as "blatantly scurrilous".

Kelly says the idea of amalgamation has been discussed for several years but has stalled over the problem of group independence.

In 1976, he went to the United States to look at the industrial situation and shop employees unions. In Los Angeles, he met 70-year-old trade union secretary Louis Levy.

Levy had successfully amalgamated clothing workers, garment workers, engine room workers and computer retail workers in food non-food outlets into a combined union.

Kelly says the idea of the three unions vote at meetings on the federation issue.

It seems unlikely that the idea will be opposed. Annual conferences of both drivers and shop employees have voted to disband their national associations and amalgamate.

Kelly feels the final vote — he is confident it will be for federation — will give the new organisation greater strength and weight.

Previous members' meetings within his own union have repeatedly supported federation or amalgamation proposals.

Kelly says shop employees realise this is the only way to get a better deal for people at the bottom of the income heap.

He feels attacks, such as those levelled in the *Retail News* editorial, have only helped the new organisation's chances. "There's no way this thing can be stopped by Government or God. And the employers are a non-event on this one."

Union sources say that retailers do nothing but promote the new federation when they suggest it is a takeover bid by the drivers union now that its membership and funds are dwindling. That is not correct, they say, and the history of the proposed federation proves it.

One union official said the drivers had been reluctant bedmates at the start. They could see no advantage in amalgamation with "a lot of shoppies".

Clearly the drivers have lost their jaundiced view of matters — they are still there, and intend to stay. Union sources reject that the drivers' involvement indicates some devious Bill Anderson strategy to take over the running of the three unions.

Far from some kind of evil genius behind it all, union officials say Bill Anderson has played almost no part in the development of the federation. "He's been a non-event," says one official. "He's not even a representative of the Drivers' Federation on the Joint Administering Committee."

Kelly concedes that "tying the knot" will give "a little more clout" but says the three unions are already taking concerted industrial action and have been doing so for some time.

Kelly says the federation will not create some super-militant trio.

Kelly says the federation will not create some super-militant trio simply because the groups involved are so different. He says that Wellington shop employees and drivers unions have for some time had resolutions on their books to

Industrial relations

Saturday scene

shopping laws.

The union was told in mid-December 1976 that the Government planned changes.

Those changes surfaced, and were opposed by shop employees in 1977.

Kelly says the federation has been operating since July 1977, when the three unions (storemen, drivers, and shop employees) opened a combined office.

All that will happen this year, he says, is that the working arrangement will be made legal.

"We could have formed the federation three years ago, and had it registered. But we decided to see if we could sleep together first before we tied the knot."

"That knot will be tied later this year when members of the three unions vote at meetings on the federation issue."

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get to know each other. But it never happened. As a class of person you're never going to get them together — or get one group dominating the other. I've got tremendous faith that drivers know what's best for them and shop employees the same."

But Kelly still sees advantages in the federation. "You'd have to be stupid or naive to think that we would do this if there weren't. He's convinced union members will get an improved standard of living from the federation, not as a result of militancy but as a result of better organisation."

The Combined Unions' central office, operating since July 1977, has dramatically boosted the resources available to the unions involved, he says.

The central office initially combined the staff of the separate national offices of the Drivers' Federation and the National Shop Employee Association.

The combined office has a joint national secretary and administration officer (Stu McCaffrey), an industrial advocate (Rob Campbell), two research staff, and four office staff. It has the funds to employ other experts as it needs from time to time.

"Now we're a financially viable, professional, going concern," says Graham Kelly. "We like the three legged race — it's going well. Our middle leg has allowed us to gain a lot more in the past than we knew about and we're going to gain a lot more in the future."

Retailers are worried at the moment. The *Retail News* editorial is clear evidence of their concern. Some retailers see the Saturday shopping debate giving impetus to the federation's formation. Kelly says the two things have nothing to do with each other.

If that's the case, then retailers have very little option but to grin and bear it. They won't be looking for a major row with the union in the next month or so. They'll be busy enough ironing out their own — and the Government's — attitude to the vexed and vexatious question of what to do with all those cash registers at the weekend.



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Frank Yukich treads his way to successfully realise his vision for the wine industry

by Frank Thorpy

DALMATIAN immigrant Ivan Yukich and two of his sons, Frank and Mate, arrived in New Zealand in 1934.

Having a family tradition of winemaking, Ivan's first years were devoted to market gardening to build up the capital to establish a vineyard. Within a few years he had bought a property high up in the Waitakere, fronting the Titirangi Scenic Drive. He called the three-acre vineyard, "Montana" because it reminded him of the mountains of his homeland.

Frank, working in his father's vineyard, became fired with a vision of the potential of the New Zealand wine industry — he wanted to share that vision with other small winemakers, but they were unable

to comprehend the magnitude of his projections.

In 1961, the Yukiches registered Montana Wines Ltd with a capital of 10,000 pounds. It took Montana Wines just over 10 years to reach the top position in the New Zealand wine industry.

Frank says the ingredients of his success were meticulous but imaginative planning, intensive propagation of classical vinifera grapes, application of the most modern vineyard and winemaking techniques, and aggressive marketing. Plus, it must be said, the boom in wine sales and a shortage of wines due to very restrictive import licensing.

Consolidation of the company's financial and distribution strength came with the taking up of substantial

shareholding by prominent Auckland accountant Roll Porter and the liquor wholesaling giant, Campbell and Ehrenfried, now a member of the Lion Breweries consortium.

Harry Ibbertson, of Lion, and Porter joined the board, and materially contributed to the growth of the new Montana Holdings Ltd.

Vineyard planting increased spectacularly — first on a 260-acre property at Mangatangi, at that time the largest single vineyard in the country, then on large acquisitions in Gisborne, the Wairau Valley estates, and later, with the buying of Wathlere Wines and the establishment of an automated modern winery on the outskirts of Gisborne.

By the late 1960s, Montana had become an aggressive and

powerful force in the marketing of New Zealand wine. While the major production of other companies was from sherries and fortified wines, Montana led the swing to table and sparkling wines, including such best forgotten brand names as Cold Duck, and Poulet-Poulet.

In early 1972, having achieved 22 per cent of the New Zealand market and a production of 1,100,000 gallons of wine, Frank realised that to improve production and reach even higher sales, he needed better quality wines and improved technology. He contacted Professor Berg of the Oenology School at Davis, University of California, and with his help, recruited two top graduates, Randy Weaver and Dan Robison, to head the winemaking team.

Later he recruited Peter



Penfolds... wine for avarage income minor

Hubscher, from McWilliams Wines, to be winery manager.

In 1973, Wayne Thomas, DSIR research scientist, joined the team. His first job was to research the best place to plant a 200-acre vineyard.

His findings clearly indicated Marlborough was that area (as had already been pointed out by a writer on wine as far back as 1964).

Backed by Frank, the report was put to the next board meeting. It was turned down because the directors wanted more evidence to prove the research that had been done.

Thomas had already left for a four-month course on mist propagation of virus-free grapes at Davis. Frank rang Thomas in California, who said he would discuss his findings with his professors at the university.

After thoroughly investigating his report, three professors advised the board that, after checking all the data — sunshine, rainfall, frost, soil type, and so on — Marlborough would be most suitable for viticulture and would make a good grape-growing area.

The board approved the purchase of the land, which had already been secretly purchased by Yukich.

When the news became public, the area was downgraded by 99 per cent of the wine experts.

But Blenheim was the first vinegrowing area to be planted after a scientific evaluation. All other areas, except Gisborne, had been planted for sociological or historical reasons. Gisborne had been planted because it was a lush area producing quantity but not quality grapes, which were needed in the wine boom.

Another step was the introduction of Segrams of Canada and the United States as a partner. Don Matsey, marketing manager, now of Corbans, had first contacted Segrams during a sales trip to the United States. That company, then buying vineyards in all parts of the world, was keen to join in with Montana.

In 1974, after a disagreement on policy, Frank Yukich stepped down from active management. As the then largest shareholder, he remained as a director till resigning in 1977.

Financially independent as a result of his Montana operation, Yukich overthrew was too young too restless to retire.

In 1975, he started Castel Wine and Spirit Co Ltd, which in a three-year period acquired nine wine resale shops, part ownership of a wine and spirit wholesale merchant, and in 1977, his present dominant interest, Penfolds Wines.

Since July 1977, the paid-up capital of the company has increased from \$647,500 to \$2,378,660 split into 50 shares.

Penfolds has embarked on a major expansion programme aimed at transforming a company into a premier quality table wine.

It has invested \$3 million in improving the winery plant facilities. The winery is capable of handling up to 10 times its present production with additional capacity only required on the bottling line, storage tanks and housing facilities.

Contract growers across through the winegrowing districts of Marlborough, Bay of Islands, Waikato, Coast and Henderson.

From the 1981 vintage Penfolds will rely entirely on contract growers with term contracts to produce company's total grape requirements.

The company believes contract growers are its produce better quality crops as the crop size represents their pin livelihood.

And the policy allows company to concentrate winemaking and the maturing of the finished wine, to have become highly specific fields. No doubt, too, the cost of acquiring land is a factor.

Yukich was able to buy 3000 acres of prime farmland Blenheim for \$600,000 around \$600 an acre. Today's cost of similar land is \$1000 an acre. Montana, Penfolds' Corbans are already open, there, undoubtedly the best grape growing area in New Zealand. Other large vineyards are interested.

Penfolds has bought a winery there as it has done in Gisborne.

One Gisborne project, Waipoua Valley Vineyard at Tikiki, breaks ground. In a deal with the landowners, the Department of Maori Affairs and Penfolds Government loan of \$200,000 has been arranged through Maori trustees for the development of a new grape-growing venture of 10 hectares.

Penfolds expects that some of the plant and projected plantings by contract growers will eventually result in a total of 19,500 tonnes of top quality varietal grapes by 1980. The over well placed the company will be from, say, 1981, having difficulties in meeting its ever increasing demand.

This has caused some of the plant companies which have been newcomers, though a few feared one, into the field of buying grapes from growers.

Too many companies chasing too few grapes, though some now say they have sufficient grapes to meet sales commitments. The successful effort of the Wine Institute to attract Food and Drug Regulations allowing them to legally bottle their bulk wine at 20 per cent profit was a factor.

All except Penfolds strenuously opposed water regulations without and advocated the use of more of the water pool.

Two years ago, Frank Yukich convinced the Trade and Industry Department it was better because of the shortage of grapes to allow grape concentrate to be imported from Australia, rather than using cane sugar from, say, Fiji or Cuba.

The other companies, alarmed at this obvious move to overcome a shortage of grapes, sought a High Court injunction against Penfolds, stating that the Sale of Liquor Act permitted New Zealand wine to be made from New Zealand grapes only.

The matter was settled out of court, but no further import licences have been issued for Australian grape concentrate — in some respects a retrograde step.

Since July 1977, when Frank Yukich took over Penfolds, the company has earned a reputation of being one of the more progressive and innovative members of the wine industry.

Though Penfolds, at one time, had 70 per cent of its turnover in fortified wines, this percentage is now down to about 14 per cent (thus it will not be seriously affected by the increased taxes in the Budget), and the main thrust has been in improving the company's share of the table wine market with emphasis on quality varietal wines.

The bulk wine trade has not been neglected, and now appearing at the more prestigious hotels and catering places are highly decorative Penfolds barrels, known as catering kegs, with a capacity of 50 litres, which dispense under carefully regulated conditions Penfolds' burgundy, hock and moselle. The quality of the product is being upgraded as better grapes come into fruition.

Three per cent of turnover has been budgeted to be spent on advertising and promotional ventures. This could be a substantial amount as the company's sales to June 1979

were \$4,741,283, and to June 1980, it is estimated that sales could reach \$8,500,000. In three years the company says it has moved from seventh place in wine sales to fourth.

Frank Yukich means to make Penfolds number one in sales and quality within five years. He says he is convinced that to be number one in sales, the company has to be number one in quality. To achieve this means he has to have a competent and reliable staff. A strong team spirit has been developed in all areas of management with the capabilities, knowledge, drive and foresight to carry the company to the top of the New Zealand wine industry.

Not all of Frank Yukich's schemes have met with success, and he had had to admit failure in his two attempts to merge with Corbans Wines.

His stated objectives in the merger were:

- To reduce the unit costs and thereby maintain selling prices at the lowest possible levels;
- To improve overall competition in the industry by the creation of a strong competitor;
- To better utilise the present and planned winery plants and the facilities of Penfolds and Corbans;
- To provide a sounder base from which to fully develop the export market, which both companies have already entered in a limited way;
- To establish a larger operation which could support the costs of a viticultural and winemaking research unit.

He first attempted to buy the 50 per cent shareholding in Corbans held by Marac, but was thwarted by the Cooks board and the Examiner of Commercial Practices who held that the merger would be against the interests of the industry as a whole — an opinion not shared by many independent observers.

These shares, which represented a threat to the existing directors of Corbans, were eventually parcelled out to various interests friendly to the board, including Transvision which held a 25 per cent interest.

Not one to be deterred by obstacles, Frank Yukich then mounted through Wellington sharebrokers, a buying operation in the market. He eventually obtained 265,000 shares, a 6 per cent holding, and then, according to some reports, approached Transvision, which was not receptive.

The Cooks board actively campaigned against any possible takeover, and it is thought that some contract growers were sufficiently influenced to write to the Examiner of Commercial Practices against any proposed merger.

Frank Yukich had to admit defeat and reportedly sold his shares at a substantial profit to the now major shareholders, Transvision.

He is philosophical, and says his main objective now is to consolidate and improve the image of Penfolds. He is succeeding, witness the award of gold medals at the recent London International Wine Show to Penfolds 1979 Autumn Riesling and Cabernet Rose, the first of many top awards, he avers.

He is convinced that all sections in the wine industry, grape growers, winemakers, merchants and resellers, must become price and efficiency conscious.

Wine must remain within the price bracket of the average income earner. This will put

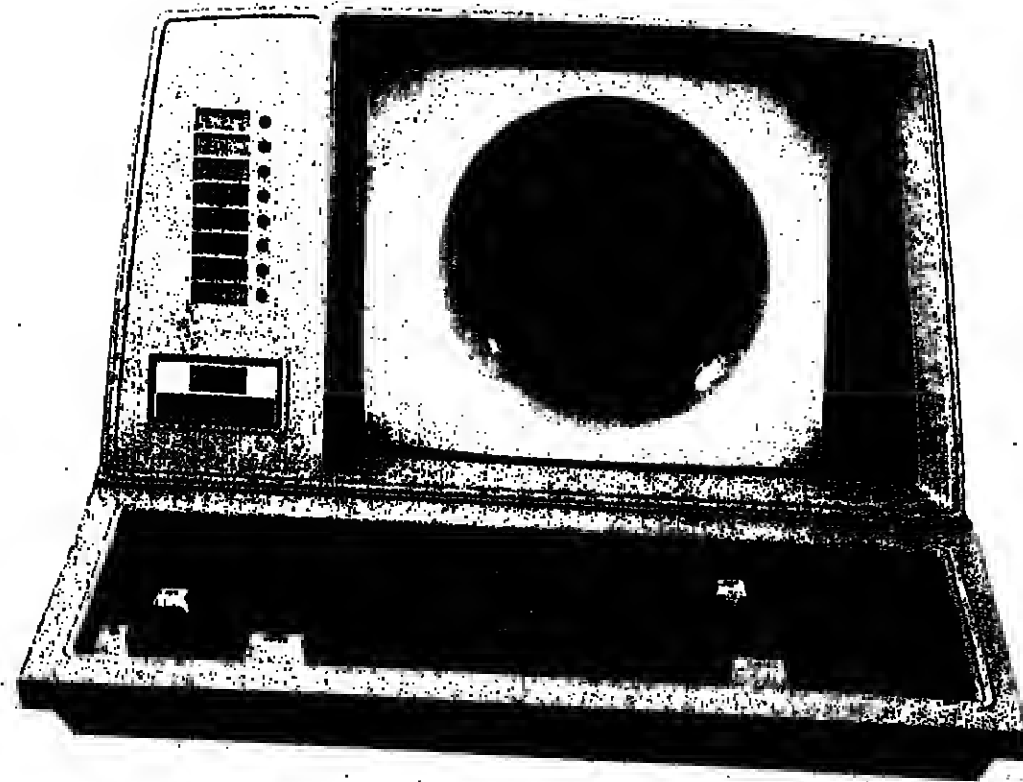


Frank Yukich... not one to be deterred

pressure on winemakers to make higher quality wine at a lower price, and will create more competition. And, he says, where there is competition in the market place, Frank Yukich and Penfolds will be there.

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His name is Robert F. Six and today, over four decades later he is Chairman of the Board of Continental. The only still active founding member of an international airline.

Today, Continental still flies between El Paso and Albuquerque but its routes now cover most of the mainland US and extend east to Florida and west to Hawaii and across the Pacific to Fiji, American Samoa, New Zealand and Australia and to Micronesia, Guam, Taiwan and Japan.

We think one of our own put his finger on the reason for Continental's success when he described the



company as a mixture of "Brains, Backbone and Barnum and Bailey".

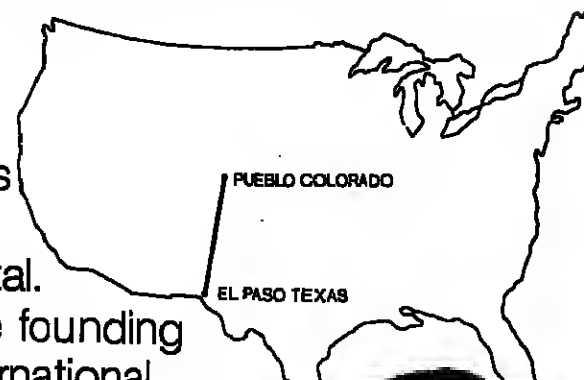
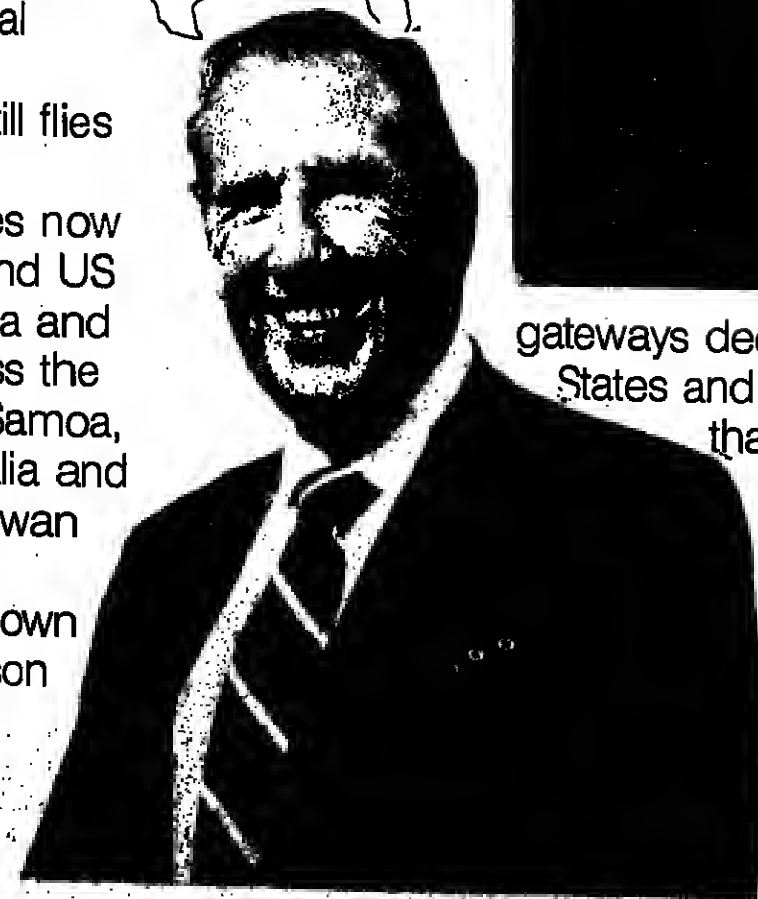
Our Chairman puts it a little differently, "At Continental there is no such thing as a 'fare'. We only carry guests and if anyone ever starts treating our passengers as anything else I'll close the damn airline."

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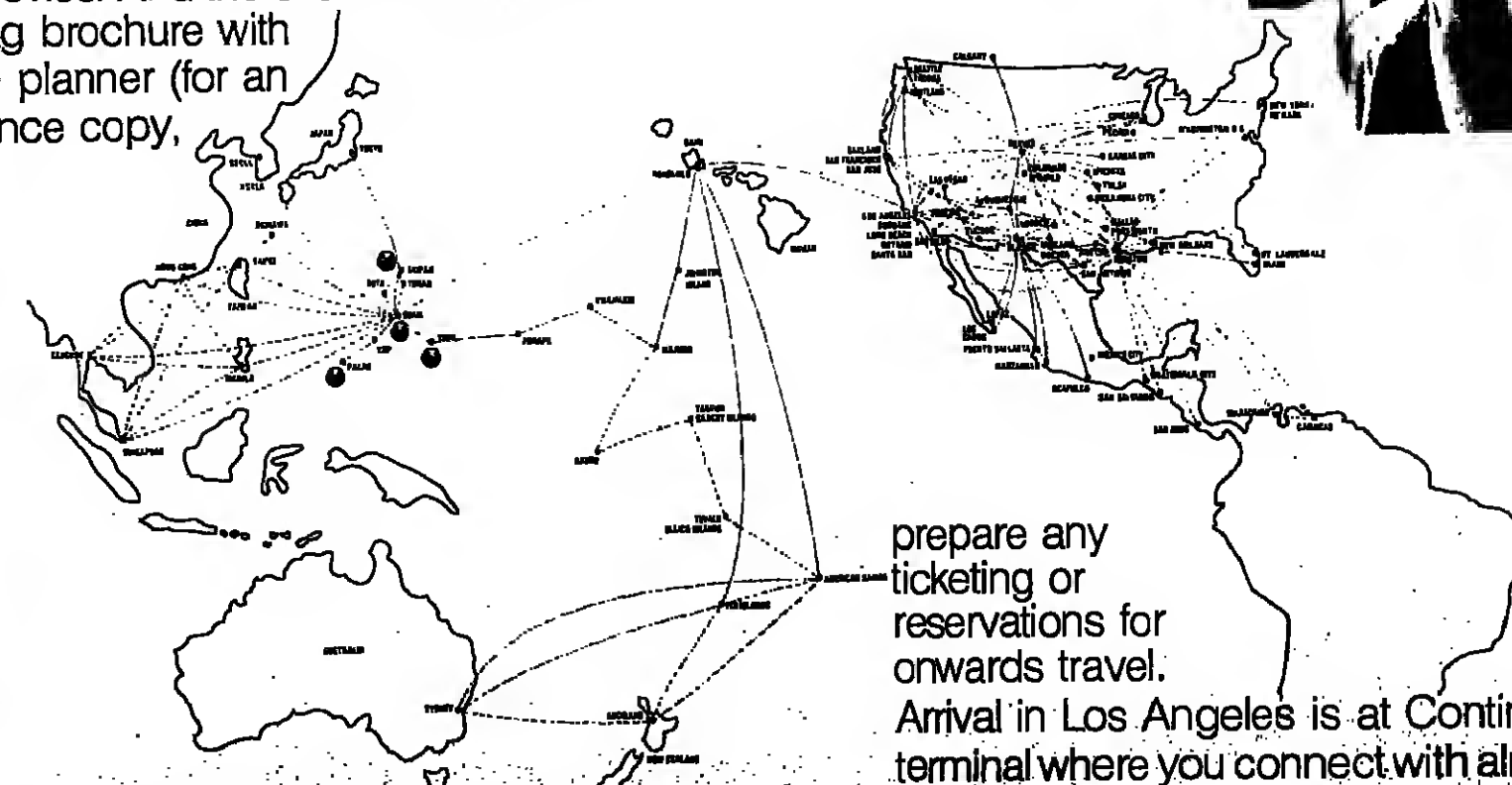
"We try to give you a good time, not just a seat on a plane". Of course, giving you a good time on your way to America is only one of the reasons to fly Continental across the Pacific.



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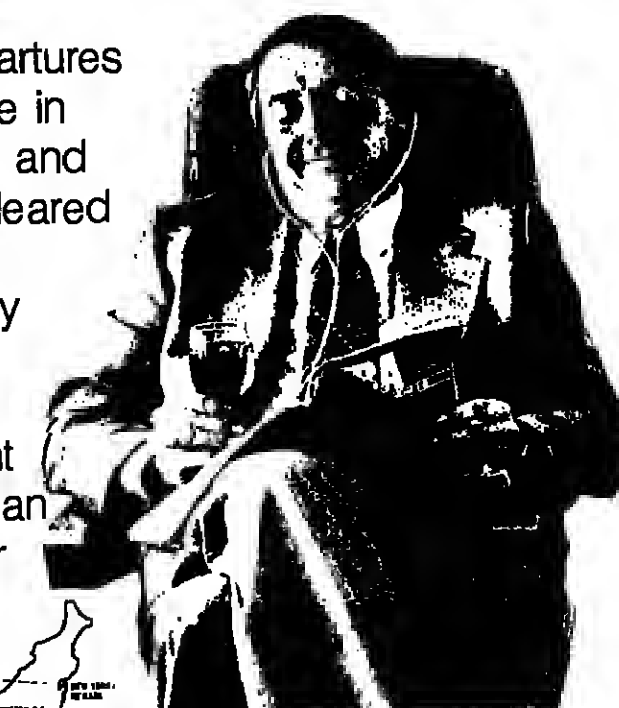


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So the final document reaches you in perfect condition... first time. Documents you'd normally file away in cabinets may be stored by P5002 on flexible disk. Each disk holds an incredible 128 A4

pages, including an automatically-compiled index. Recall is immediate, and text may be printed out in its original form, or with variables such as names and addresses added automatically.

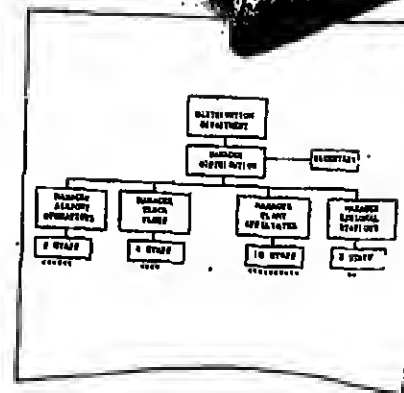


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Computers

PO problems on Oasis Link

by Stephen Bell

AFTER less than a year's experience of on-line access to overseas databases, New Zealand businesses have again learned what it is like to be without such informational resources.

The Post Office's Oasis link to the United States has been experiencing what are officially described as "intermittent difficulties".

More intensive users in practice found it hardly worth trying to access the system at all. The experience was described by one as "a disaster".

The Oasis link gives several users concurrent access to the United States packet-switched networks Telenet and Tymnet, which in turn allow valuable commercial, technical and news information to be retrieved from the computer databases of several American information services (NBR July 25, 1979).

The information, users say, is inevitably helpful in keeping New Zealand companies up-to-date with developments and markets in their areas of industry overseas.

The trouble happened at a time when not many local companies are making intensive use of the link directly. But users such as UEL, who offer an information service to other companies, lost a good deal of business. The number of brokers' customers who were adversely affected is unknown.

The Post Office repeatedly expressed hopes that the system would be working permanently within a short time, but this, ironically, turned out to be counter-productive.

"If we'd known at the beginning that the system would be down for so long, we could have sent some of our work to Australia," said one user.

The troubles with Oasis began on June 5, and service was not permanently restored until July 1. Fortunately for future users, the initial trouble uncovered an unrelated and previously undetected bug in the software of the standby system.

Testing procedures traced the initial fault to "an item of equipment at the American end of the circuit", said a Post Office representative. When this was replaced, "intermittent difficulties of a different type were encountered and it was discovered that a subtle incompatibility existed between the replacement unit and that in the complementary unit at the New Zealand end of the circuit."

This second problem proved difficult to isolate, owing partly to "the intermittent nature of the symptoms", said the Post Office.

Users have been reassured that compatible working and back-up equipment is in place at both ends of the satellite link. In case of trouble with the satellite itself, "standby circuits are also available" said the NZPO spokesman.

On a further note, which will doubtless bring hollow laughter from Oasis users, the Post Office refers to "alternative telecommunications services... to access... Tymnet and Telenet services when Oasis is unavailable; the international Datel and Telex services."

It was the impossibility of working with Datel services, owing to a limited number of entry points into the United States, which started the negotiations which led to the setting up of Oasis.

Systems roll off line

Customer deliveries of IBM's long-awaited System/38 small business computer have begun, in the United States at least. New Zealand clients will have to wait until later this year for their new machines.

System/38s are already in place at three United States test sites and at IBM offices, including Auckland. The latter have allowed aspiring 38 users to do their programming and testing in advance and to accumulate some experience of the machine's features.

With a concept called "single level storage", the 38 virtually abolishes, from the user's point of view, the distinction between primary storage (core or semiconductor) and secondary storage (discs). On top of this is a "relational" database system, a mode of data organisation long-known as a theory, but still rarely implemented practically.

When the separately designed portions of the System/38 were brought together for the first time, there were mismatches which slowed down the machine's performance drastically. Delivery was postponed while IBM made improvements, and this resulted in the cancelling of some 38 orders, including one from Victoria University, Wellington.

Take-off of the market in New Zealand has been slower, with prices of the equipment boosted by a 40 per cent sales tax. Until recently, most users of the microprocessor-based machines have been in the small business area.

But now, according to Whitecolls representative Vincent Chew, the home user is ready for the machine.

New Zealanders have been buying second television sets, he pointed out, and this indicated that they would be willing to spend an equivalent amount of money on a device which could be a practical help in the running of the home and

education of the family, as well as an entertainment device.

The second television could actually become part of the home computer. An interface developed locally allows the machines sold by Whitecolls to use a normal colour television set as their visual display unit — though purpose-built VDUs are supplied as part of the range.

The Ohio range of machines offered through Whitecolls runs from the "Superboard II" — a bare circuit-board machine, aimed at the enthusiast with at least some electronic "do it yourself" ability — to the C8, a ready-to-use machine equipped, in its most advanced form, with 48,000 bytes of memory, dual floppy disc data storage and a wide variety of input-output interfaces.

Whitecolls is training its own bookshop staff to provide support and guidance for the user in selection and use of an appropriate machine.

Software packages supplied with the machines are delib-

erately oriented to the non-expert user, said Chew. All programs give step-by-step instructions on the screen — instructions which can be bypassed when the user becomes accustomed to operating the computer.

Ready-written programs from Ohio Scientific run from games, through educational aids to business packages, and a home security system to protect against burglary and fire.

The capability of the hardware and the versatile range of software provided were among the chief reasons why Whitecolls chose the Ohio range for its venture into the personal computing market, said Chew. The widespread availability of back-up service from local agents Computer Consultants was also a factor in the choice.

Chew envisages faulty hardware being sent back to CCL for repair on a one-time basis, much as one would treat a faulty stereo system.

IBM New Zealand Limited

21 July 1980

Whitecolls Ltd. Auckland

Last month I told you about the "IBM Mag Card 82" which has for years been the text editing "entry-level" machine for so many companies and organisations. Let me now tell you where you might graduate to — or where you might start, after all, all businesses are different, with a wide range of requirements.

Not long after Word Processing (as a management method) had become established, it was observed that Word Processing Centres (both the "fully centralised" and the "departmental-decentralised") were becoming "print bound". Text editing equipment was able to generate work faster than golfball or daisy wheel printers could print it.

The high-speed computer matrix or line printers were not suitable because there was still the requirement for high quality and also the ability to handle cut paper and envelopes automatically was shown to be desirable.

So, IBM developed the 6640 Document Printer with its widely-acclaimed inkjet printer. The 6640 is a standalone printer capable of accepting magnetic cards generated on a wide range of IBM equipment (from the 1969 vintage Mag Card 72 up to the present day — an "eternity" when you consider technology advances!) and produce high quality printing with minimum operator intervention.

So successful and acceptable was the 6640 that when IBM released its diskette and VDU based Office System 6 range in the late 1970's, the inkjet printer was provided as an on-line option.

If you are looking at particular pieces of hardware (as part of your implementation programme) then you will surely be impressed by both the range and the power of IBM's Text Editing and Information Processing equipment. Here is a brief overview:

Magnetic Card Typewriters: set out in more detail in last month's Briefing — "user friendly", easy graduation from typewriter to Text Editing, cost effective.

Information Processors: Whether you choose to rent, lease or purchase Text Editing equipment, one of your requirements (in order to achieve cost effectiveness) is to take on equipment with enough features for what you need at the moment but with room for growth. To meet this need, IBM Information Processors have a wide range of configurations:

	No Printer	Daisy-wheel Printer 55cps (approx 500wpm)	Inkjet Printer 92 cps (approx 950wpm)
With Mag Card Unit	6/430	6/452	6/450
Without Mag Card Unit	6/420	6/442	6/440

IBM Information Processors come in the category of "shared media" equipment. This means they are all autonomous (with the exception of the 6/420 which is an input, revision and records-editing device only) and they exchange information, where necessary, by transferring either magnetic cards or diskette. This should allow you to tailor your configuration to your requirements and avoid replicating identical units. There is a choice of two different kinds of on-line printer, or no printer at all. There is a choice of whether or not you have compatibility with magnetic card equipment. "Horses for Courses".

Hardware, as we say often, is only a part of Word Processing but it is important that your hardware choice is capable of being integrated with the "people" factors and the workflow procedures that make Word Processing succeed in an age where so many attempts at office automation fail, or at best only partly succeed. If you would like more details on the IBM range of Text Editing and Information Processing equipment suitable for use in Word Processing why don't you call the appropriate phone number at the top of this Briefing and ask for the Office Products Division. We really do have a lot to show you.

Kind regards,

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Market Support Specialist.

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Waitemata: streak of healthy anarchism beneath

by Warren Berryman

TO the urban-weary Auckland, Waitemata City's 37,550 hectares of rolling hills, vineyards and orchards and mountainous bush roads leading to the Tasman Sea present an aura of peace.

But beneath its bucolic facade, Waitemata is seething with discontent. Hardly a week goes by without a ratepayers' revolt, calls for the resignation of mayor and councillors, or the circulation of pamphlets alleging misconduct by Mayor Ian McHardy.

It is said that every Waitemata resident carries a switchblade sharpened for political backstabbing.

Waitemata City, dubbed "Mickey Mouse Land" since its creation in 1974, appears to be almost ungovernable.

In a way, Waitemata has the most open government in the country. The ink is barely dry on council resolutions, plans, or zoning changes before this confidential information is leaked to newspapers, ratepayers' bodies and political dissidents.

And Waitemata has more than its share of politically aware and active dissidents.

The scattered suburban areas are peopled mainly with artisans — independent types who know their own best interests.

The hills are filled with alternative-lifestyle members, of the cheese-cloth-and-sandals brigade, ever ready to torpedo any perceptible threat from those dark satanic mills.

There are the weekend hill-hillies — professional people from Auckland living in bushy

retreats in the Waitakeres, people with the political nous and inclination to stir when they see their interests threatened.

Then there are the Dalmatians, gun-diggers turned vintners, orchardists, or small businessmen. Stubborn individualists... colourful interesting people, but tough people to govern as the city council and the Apple and Post Board have found to their dismay.

A streak of healthy anarchism runs strong in Waitemata. One only has to scout

slightly, looking out across those hills, to conjure up a picture of the Waitemata hill-billy saying: "Government men coming. Shoot 'em high pa, we need the pants."

Today, Waitematans are gunning for Mayor Ian McHardy.

WAITEMATA City has its problems. The 88-page Audit Office report presented last July outlined the problems inherent at the city's birth in 1974 — a large expensive area in service and no industrial rate base to help pay the bills.

In addition, 40 per cent of the rateable area was owned by the Auckland Regional Authority and Auckland City, neither of which paid more than peppercorn rates.

These were the problems Waitemata was forced to live with.

The Audit Office also laid into the council for poor forward planning, inadequate (or cosmetic) accounting, lack of teamwork, poor staff morale, and the lack of a manual of administration policy.

A few years ago, these same dissidents gunned down the first Waitemata City Council. Before that, the county council, after years of trying to manage the unmanageable, had turned inward to self-destruct.

To hear the outspoken dissidents tell it, their mayor is the highest crouch in the bunch.

In fairness, a philosopher-king would have a tough time running Waitemata. Much, if not all, of the ratepayers' revolts, backbiting, vindictiveness and hatred stem from 1974, when someone got out a map and pencilled in Waitemata's new boundaries to create an almost unmanageable and arguably uneconomic unit.

With these lines, Waitemata County Council passed out of existence and Waitemata City was born.

Nearly two decades ago, the Local Government Commission proposed a Waitakere City incorporating what is now Waitemata plus industrialised Glen Eden, New Lynn, and Henderson. That scheme fell apart from six years of wrangling and the Local Government Commission appeared to lose interest in Waitemata.

Waitemata is New Zealand's third largest city in land area and the sixth largest in population.

But Waitemata was created a city without a heart. Its natural city centre, Henderson, was excluded from the city's boundaries.

Waitemata has no centre, it is

Waitemata Mayor Ian McHardy claimed, corrected many of these shortcomings. His detractors have their doubts.

Among his achievements, McHardy has:

- Holding rates to the level of inflation for years running;
- Shifting the city administration to Henderson. This, McHardy said, "brought administration closer to the people" and allowed Waitemata to achieve savings by closing down two town offices, and reducing staff from 221 to 215 over months. Previously city administration offices were scattered between central Auckland, Tāmaki, Te Atatu, and Massey. McHardy claimed this saved money. His detractors claim it cost

a collection of villages a scattered houses.

Waitemata City's administration buildings were scattered throughout the area headquarters in central Auckland.

Now the administrative building is in Henderson, where Waitemata's rates to its rival city.

Waitemata's vast area of hills, mountains, dirt roads, low-density housing requires a lot of expensive servicing. Waitemata has no industrial rate base with which to do the rate burden with the cost of the city's low to medium-priced housing.

So more than 90 per cent of the rate burden falls on the home owners, many of whom, newly arrived, are still struggling with mortgages.

The Audit Office revealed Waitemata City in 1979 in an 88-page point-by-point critique of the city's problems and administrative shortcomings.

The report pointed out that while the newly created city took over 60 per cent of the population from the former county it only gained 41.2 per cent of the former rate base.

"The main effect was to leave the present city support-

the rustic facade makes city almost ungovernable

city dearly:

- Under McHardy's leadership the council established a refuse bailing station. Set up in just eight months, this plant is now reaching break-even point after just two years of operation, McHardy said.

- The council's vehicle-testing station opened in February. McHardy said the station will test 100,000 vehicles a year. But this scheme brought strong opposition. Residents of distant Tāmaki resent having to drive all the way to Henderson for a warrant of fitness. And private garage owners resent losing their WOF business which usually brought some additional revenue for mechanical work.

- Waitemata City took over the financing of the Whenuapai Bus Company when it looked like its private owners were going to close down operations. McHardy said this company was now trading well enough to subsidise two new buses with \$70,000 each, as well as saving \$200,000 a year in Auckland Regional Authority bus levy. McHardy's opponent in the coming mayoral race, Tony Corrie, predicts the bus venture will be a disaster. "No local authority can make money on buses," he said.

- On the administrative side, McHardy said he had removed eight city executives in the past two years. Other city employees found their departure hastened when it was discovered that Temporary

Employment Programme employees were doing work on senior council employees' houses rather than devoting their efforts to the city ratepayers' benefit.

McHardy's major thrust at the moment is to provide the city with industry — offering an industrial rate base to ease the rate burden on homeowners and industry to provide jobs for Waitematans. If successful, this will go a long way toward solving the rate base problem outlined by the Audit Office.

But McHardy's plans to industrialise a portion of Waitemata have drawn heavy fire.

Waitemata has a reputation for pettyboggling regulations and building ordinances. This factor

has discouraged industrial development in the past.

Aware of this bad reputation and out to change it, McHardy said the council had just approved a fast-track system of approval for industrial development.

Now all that's left for McHardy to do is sell Waitemata's industrial land to recession-pinched investors; calm clamourings of the environmental lobby; convince the voters he is not the opportunist his opponents claim he is; and win the election coming up in October.

McHardy said he had not yet decided if he would run for mayor again or not.

ing a disproportionate area, population, and level of services, when compared with its ability to rate," the report said.

One-third of the city is owned by the Auckland Regional Authority and used for water catchment and parks. In return, the ARA pays only 2 per cent of Waitemata's rates.

The ARA pays no rates on the 2600 ha of Centennial Memorial Park in the Waitakere Ranges. Waitemata City issued a writ to recover from the ARA some \$50,000 in unpaid rates and penalties. The High Court turned Waitemata down saying the ARA should be exempt from rates.

This ARA park alone represents about 17 per cent of Waitemata's land area. McHardy is still negotiating with the ARA.

McHardy said the road running through the park would cost \$4 million to build and Waitemata would not get its rates, his city was subsidising Aucklanders' weekend pleasure.

Six per cent of Waitemata's land area is owned by Auckland City, which pays only peppercorn rates.

Waitemata homeowners pay average rates of \$230 a year compared with \$198 in Manukau City and \$195 in Takapuna City.

The prime difference between Waitemata and Manukau City is that the latter has a big industrial sector to share the rate burden while Waitemata City missed the boat when outer Auckland went through its industrial boom.

Ratepayers' meetings in Waitemata are always heated affairs full of past recriminations, present allegations, innuendo, and snide asides about this or that councillors' conflict of interest.

The citizens want lower rates, but still demand tar-sealing for their rural roads. They want lower rates but demand that tight restrictions be placed on any industry likely to be established in their area.

An industrial rate base would help pay the bills and take some of the burden off the residents. But many of those living in Waitemata moved there to escape industry and city ordinances and show a strong distaste for industry's grubby side.

Take, for example, the timber company interested in setting up a mill in Waitemata. Among many restrictions proposed was one demanding that timber be stacked no more than two metres high.

The proposed timber mill is only one of many projects that died at the hands of Waitemata's vigilant environmental lobby.

McHardy, with a nine to five majority on the council, is out to attract an industrial base to the city offering rezoned industrial land, rate holidays for incoming industry, and a concerted

reduction in bureaucratic pettyboggling controls.

But McHardy has only three months to go before the next election.

He won the last mayoral contest with only 150 votes. He failed to gain an absolute majority.

McHardy's opponents — Bill Haresnape, a local architect and city councillor, and Tony Corrie, a garage proprietor and city councillor — each pulled a large vote last election.

Haresnape has thrown his support behind Corrie for mayor in what he describes as an

"anti-McHardy ticket".

McHardy speaks proudly of his successes as mayor which, he claims go some way toward correcting the administrative failings pointed out in the Audit Office report.

His major disappointment, he said, is failing to amalgamate

Waitemata City with its natural metropolitan heart, Henderson.

"We have to look at the west as a unit," he said.

"I hope we are moving toward burying the hatchet with Henderson. Henderson's population is under 2000. Ours is 86,000."

On this one point, McHardy and his opponent Corrie agree. Both see a need for a higher, economically coherent unit in the west. Corrie has spoken of combining Waitemata, Henderson, and perhaps Glen Eden into one city.

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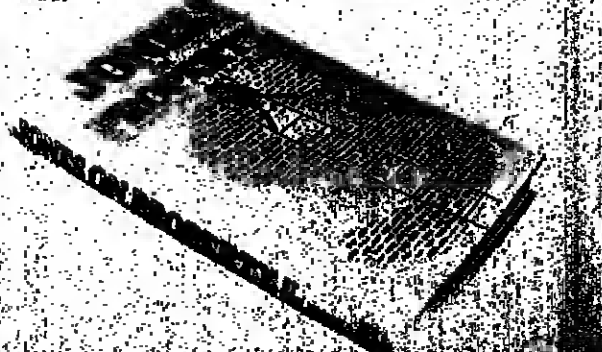
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Mayor fends off flak from his glasshouse office

by Warren Berryman

POLITICIANS choose to live in glass houses, and power attracts thrown stones.

This is particularly true in local body politics. Popular awe and respect tend to diminish with proximity to the subject. And the local body politicians, to a far greater degree than their parliamentary cousins, are constantly faced with decisions in which they are directly interested parties, be it rezoning of land, paving the road in front of their homes, or approving a pub or yacht harbour.

Waitemata City Mayor Ian McHardy is a classic case.

McHardy's friends say he is hard working, a good administrator, and maligned by enemies who seek only to destroy — not to offer constructive alternatives.

McHardy's enemies hint that the mayor's motives spring from vested interest and claim his methods are dictatorial.

McHardy, himself, claims he

sacrificed a lucrative legal practice and forsook his business interests to serve his area as mayor.

"I built up a big legal practice," he said.

"What could I do? I got into politics because I got angry at people being ripped off."

"I chose to change the direction of my life. I cleared my lines accordingly. And that's all there is to it. I guess it's hard for some people to accept that someone would do that."

"I achieved all I could in law and the commercial world. I really do enjoy the community."

McHardy's detractors, speaking at ratepayers' meetings, asking pointed questions in council, or via leaflets dropped in letterboxes, allege that McHardy is using his position to feather his own nest.

McHardy said: "This sort of flak discourages other professionals from standing for local bodies should they want to help their communities."

Does the constant barrage of accusations and criticism worry him?

McHardy said he went through a period of heartburning. During the last local body election he even hired a private detective to find out who was maligning him.

Now, he said, he had taken the advice of a wise old politician who told him: "If they're sabbing you in the back you must be ahead."

McHardy said the era of vindictiveness began in 1974 with the infamous "garage meeting" when reliable councillors, just elected, plotted the demise of the new mayor and council — and finally succeeded in wrecking it.

A member of McHardy's opposition, mayoral aspirant and city councillor Tony Covic, in whose garage the meeting was held, disputed McHardy's assessment of the "garage meeting".

Covic claims McHardy is making an issue of a non-event,

claiming the meeting was just an informal gathering of independent councillors discussing what they could do in opposition. They felt Waitemata's first mayor, Jack Colvin, had already predetermined his committee memberships.

Once elected mayor, McHardy excluded the independents from his committees, claiming they were so busy attacking him he could not give them jobs to do.

McHardy once sought the power to suspend rebel councillors for up to three months.

But he has since given up that idea. "I came to the conclusion I couldn't suspend councillors. They were elected to act responsibly. We'll have to leave it to the people to decide," he said.

McHardy dismisses the rebel councillors as a nuisance factor only. "They have not blocked one major decision," he said.

Independent councillors — particularly Councillor Bill Haresnape, a local architect — would claim they are acting responsibly.

Haresnape has spent years tracking down McHardy's business interests and land holdings and matching them up with council decisions.

Haresnape has his allies on the council and among ratepayers bodies.

Allegations against McHardy and his Waitemata Action Team of councillors, and calls for his resignation on grounds of conflicting interest, are a regular occurrence.

McHardy insists that no becoming mayor, he gave up all his directorships and business interests. His opponents are continually trying to prove that this is not true.

McHardy started to make enemies when, as a city councillor, he slapped an injunction on his own city council to prevent it from building a city administration building on council land at Lincoln Road.

In 1976 Waitemata City had its main administration centre in Greys Avenue in Auckland and proposed to build a new office at Lincoln Road for a cost of \$660,000.

When the council started its earthworks, McHardy gained

an injunction against the work proceeding on the grounds that the council had not obtained the required approval under the Town and Country Planning Act.

This went to the Supreme Court where McHardy's injunction was upheld. The Lincoln Road scheme was abandoned.

The Ombudsman was called in to investigate irregularities in the council's decision-making procedures and turned out a 67-page report which left most of the heated questions unanswered, but gave the council a mild slap on the wrist for failing to abide by its own bylaws.

Waitemata did move its administration centre, not to its own land in Lincoln Road, but to the John Henry Centre in downtown Henderson. And this move opened the most bitter round of allegations against McHardy.

The John Henry Centre was built by John Henry Centre Ltd, a company in which McHardy had a substantial shareholding till 1977, when Companies Office records indicate he transferred his shares to his business associate, Graham Allen.

In 1978, Aetna Life emerged on Companies Office files as sole owner of the building.

McHardy said he resigned his directorships in August 1977 before becoming mayor. Thus there was no conflict of interest.

Waitemata City has since decided the John Henry Centre is too small and will buy land for \$300,000 or so to build its own building from between \$3 and \$4 million.

The cost of moving the administration centre from Greys Avenue to the John Henry Centre is a matter of hot dispute between rival council factions.

In 1978, McHardy claimed the move would save \$200,000 a year.

But the council's own Greys Avenue building remained vacant for two years before it was leased to the Accident Compensation Commission.

The critics claim that the council lost \$70,000 a year rental, plus \$25,000 a year paying rates on an empty

building for two years, plus \$100,000 or so required to move the John Henry Centre into moving in.

McHardy next found himself at odds with his fellow councillors when the council initiated long and tedious moves against McHardy's non-payment of rates.

Then McHardy led a campaign to recover \$450,000 in unpaid rates from Waitemata residents — a campaign opponents saw as "cynical and extreme".

Then there is the case of Dawn Place subdivision. Councillor Haresnape, McHardy's avowed enemy, claims that McHardy asked twice by Civic if he had any connection with the subdivision and that McHardy answered "no".

Haresnape also claims McHardy did not vacate chairman's chair when a subdivision was discussed in council.

Land Transfer Office records show that McHardy bought a property in the Place in 1971, sold it to the side Industrial Estates Ltd in August 1977, then bought back again last month.

McHardy is still listed as Company Office records as a minor shareholder in the side Industrial Estates Ltd (formerly Dumar Developments Ltd). McHardy was formerly a major shareholder in this development company, according to Companies Office files.

McHardy's fellow directors and shareholders in the side Industrial Estates Ltd are Graham Allen and Arthur Mack, both of whom are shareholders in John Henry Centre Ltd.

Graham Allen's brother, Bevin Allen, is a Waitemata City councillor.

McHardy said he was obliged to buy this property back from Riverside Industrial Estates because the Dawn Place subdivision had failed.

There is also the case of the Redwood Park Country Club Inc. This club sent a newsletter to members last May saying that Mayor McHardy had told members at a wine and cheese evening that Waitemata City was prepared to stand guarantor for any mortgages the club was able to raise. (It is understood the mortgage in question was for about \$200,000).

McHardy's opposition to council claims the mayor had no right to make such a promise as council had not even discussed the matter, much less approved it.

McHardy acted as solicitor for the Redwood Park Country Club when it was established. McHardy and his ex-wife are founder members.

McHardy said he told the club only "if they raised the loan, then the council would look at providing the guarantee".

With the council's move to bring industrial development to Waitemata, the allegations of conflicting interest enter a new phase.

The council is now playing for bigger stakes. And the residents are determined to discover who owns what, and who will benefit from the industrialisation drive.

Next week, the Waitemata City Council's efforts to sweeten the pot for businessmen willing to bring jobs and higher rates to the area has yet another chapter of conflict.

US economists see recession and slow recovery

THE American economy is in a deep recession with little likelihood of a quick recovery regardless of who is elected President in November.

That was the message delivered to the National Economist Club last March by two leading private economists — Kathryn Biehoff, of Townsend-Greenspan and Company, and Lawrence Chimerine, of Chase Econometrics Association Incorporated.

Chimerine saw a significant easing in consumer prices in the remaining months of 1980. But he predicted that the underlying rate of inflation — industrial prices less price in-

reaching its lowest economic growth by the end of the year, before rising by 0.4 per cent and 3.3 per cent in 1981 and 1982, respectively.

The two economists disagreed on the probable course of inflation over the next few years.

Chimerine saw a significant easing in consumer prices in the remaining months of 1980. But he predicted that the underlying rate of inflation — industrial prices less price in-

creases in the food, energy and housing sectors — would be around 10 per cent for the next several years. He cited as reasons for his estimate high unit labour costs and a tendency by Opec countries to keep world oil prices high in real terms by cutting production.

Biehoff said she didn't think the United States "can maintain a 9-to-10 per cent inflation rate" over the next several years.

"The economy is not in a state of balance" at that rate, she said, and therefore the rate of inflation would either accelerate or decline.

The important determinant Biehoff said, is whether the Federal Reserve will continue to restrict monetary growth throughout the recession, even at the cost of growing unemployment.

In a separate discussion, several financial analysts argued that American interest rates had come down too

rapidly and too far.

"This decline is not backed up by economic conditions," said Richard Scott-Ram, of Chemical Bank, who predicted that short-term interest rates are likely to increase during the summer months.

Though a deepening recession has created a downward pressure on interest rates, Scott-Ram maintained that little actual relief from inflation and increasing Government demands for credit in light of

the deepening recession will put greater upward pressure on interest rates.

Long-term rates will stay at their present level for a while, said Kenneth Wright, of the American Council of Life Insurance, as corporate demand for long-term bonds remains high in an attempt to restore liquidity.

But he predicted long-term rates will continue their downward trend by the end of the year.

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